



2001 Massachusetts Nonresident or Part-Year Resident Income Tax Form 1-NR/PY

Nonresident and Part-Year Residents Only
All Schedules and Instructions



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See page 3
for details.



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Department of Revenue

Commonwealth of Massachusetts

Completing Your Form 1-NR/PY

Please read this page carefully as it explains the correct method of completing your return.

PRINT IN BLACK INK
Ovals must be filled in completely. Example: ☒ For the year January 1–December 31, 2001 or other taxable year beginning 2001, ending 2001.

Form 1-NR/PY Mass. Nonresident/Part-Year Resident Tax Return 2001

FOR PRIVACY ACT NOTICE, SEE PAGE 7.

MICHAEL MURRAY
PEGGY MURRAY
123 ANY STREET
ANYTOWN MA 02345

1. YOUR SOCIAL SECURITY NUMBER
0 1 2 3 4 5 6 7 8
2. SPOUSE'S SOCIAL SECURITY NUMBER
9 8 7 6 5 4 3 2 1
Note: Be sure to enter your Social Security Number(s) Above

If name and/or address has changed since 2000, fill in oval: ☐ Nonresident ☒ Part-year resident ☐ Filing as both a nonresident and part-year resident (see instructions — you must enclose Schedule R/NR)
Select **only one**: ☐ Nonresident ☒ Part-year resident ☐ Filing as both a nonresident and part-year resident (see instructions — you must enclose Schedule R/NR)
Mass. Clean Elections Fund: (for part-year residents only) ☐ \$1 You ☐ \$1 Spouse, if filing jointly. Total \$ (This contribution will not change your tax or reduce your refund.)

LINE 1 Filing Status: (select one only) ☐ Single ☒ Married filing joint return (both must sign return) ☐ Married filing separate return. (Enter spouse's Soc. Sec. number in the appropriate space above.)
LINE 2 Part-Year Residents: Enter dates as Massachusetts resident / / to / /
Total days as Massachusetts resident 177 ÷ 365 = 4849 ÷ 2

LINE 3 Total Income from U.S. 1040, line 22; 1040A, line 15; 1040EZ, line 4; 1040NR, line 23; 1040NR-EZ, line 7; or U.S. Telefile Tax Return, item I. If married filing separately, see instructions. 7500000
Fill in if using whole-dollar method

LINE 4 Exemptions: ☐ Fill in if noncustodial parent
a. Personal exemptions. If single or married filing separately, enter \$4,400. If head of household, enter \$6,800. If married filing jointly, enter \$8,800. 8800000
b. Number of dependents. (Do not include yourself or your spouse.) Enter number 1 × \$1,000 = 1000000
c. Age 65 or over before 2002: ☐ You + ☐ Spouse = × \$700 = c
d. Blindness: ☐ You + ☐ Spouse = × \$2,200 = d
e. Other: 1. Medical/Dental (from U.S. Sch. A, line 4) 2. Adoption (see instructions) 1 + 2 = e 9800000
f. Total exemptions. Add items a, b, c, d and e. Enter here and on line 22a 4f

Nonresidents report in lines 5 through 11 Massachusetts source income only. Use line 13 if appropriate.
Part-year residents report in lines 5 through 11 income earned while a resident. Do not use lines 13 or 14.
If filing both as a **nonresident** and **part-year resident**, be sure to complete Schedule R/NR, Resident/Nonresident Worksheet, before proceeding any further.

LINE 5 Wages, salaries, tips and other employee compensation (from all Forms W-2 or line 13g) 4000000
LINE 6 Taxable pensions and annuities (see instructions) 6
LINE 7 Mass. bank interest: a. 15000 - b. exemption 20000 = 7
Exemption: If married filing jointly, subtract \$200 from Total; otherwise subtract \$100 & enter result not less than "0."
LINE 8 Business/profession or farm income/loss (enclose Mass. & U.S. Sch. C or C-EZ or U.S. Sch. F) ☒ If showing a loss, mark an X in box at left 25000
LINE 9 Rental, royalty, REMIC, partnership, S corp., trust income/loss (enclose Mass. & U.S. Sch. E) ☒ If showing a loss, mark an X in box at left 3750000
LINE 10 Unemployment compensation (see instructions) 10
LINE 11 Other income (alimony, taxable IRA/Keogh distr., winnings, fees) from Schedule X, line 6 (enclose Schedule X). Not less than "0" 11
LINE 12 TOTAL 5.6% INCOME. Add lines 5 through 11. (Be sure to subtract any loss(es) in lines 8 or 9) ☒ If showing a loss, mark an X in box at left 3750000

Name and Address

Use the preaddressed return in the front of the booklet we sent you. Print in black ink the Social Security number of each person filing the return in the space provided. If your address has changed, please make all changes on the preprinted form. If you did not receive a preaddressed booklet, print in **black ink** the full name and address. Enter names as they appear on your federal tax return.

Social Security Number

Be sure to enter the Social Security number of each person filing the return in the space provided.

Whole-Dollar Method

If using the whole-dollar method, be sure to fill in the appropriate oval. Then round off, to the nearest dollar, all amounts on the return and on any attached schedules. **Do not** use the whole-dollar method on worksheets that you use to reach amounts shown on your return.

\$1.00–\$1.49 =

\$1.00

\$1.50–\$2.00 =

\$2.00

Filling in the Ovals

Make sure all ovals applicable to your filing situation are filled in completely, as shown: ☒

Filling in Dollar Amounts/Reporting Losses

When entering amounts on Form 1-NR/PY and schedules, print your numbers in **black ink** (see below). Be sure there is only one number per box. Numbers must be written completely within the boxes and should not touch them.

If you are reporting a loss in any line, mark over the "X" in the far left box for that line. Failure to do so will result in the loss being machine-read as a gain. Also, be sure to mark over the "X" boxes in the supporting schedules. **Do not** use parentheses or minus signs to indicate losses.

▼ If showing a loss, mark over X in box at left

X 1 2 3 4 5 6 7 8 9 0

When entering amounts, make sure to enter cents, even if using the whole dollar method, in the rightmost boxes. For example, \$1,000 should be entered as:

1,000.00

Mailing Checks and Enclosing Forms

Attach to Form 1-NR/PY, with a single staple only, your Form W-2 or 1099 withholding documents. If you are making a payment, complete Form PV, Payment Voucher. Form PV is attached to the back of the "Payment Due" envelope found in this booklet. Staple your check or money order to the front of Form PV and enclose with your return. Do not staple supporting schedules or documentation to the Form 1-NR/PY as this will delay the processing of your return.

FILING TIP You may be able to lower your taxes by taking advantage of other deductions and/or other credits on Form 1-NR/PY. See lines 19, 33 and 34 of Form 1-NR/PY and Schedule Y and Schedule Z instructions for a complete list of other deductions and/or credits for which you may be eligible.

See Form 1-NR/PY, line 43 for the new Senior Circuit Breaker Credit, and Schedule Y, line 9 for the charitable contributions deduction.

Enter number of qualifying children

43 Senior Circuit Breaker Credit (enclose Schedule CB). Part-year residents only 38500

9 Charitable contributions. Full-year residents, total of a and b below. Part-year residents, multiply total of a and b by line 2 of Form 1-NR/PY and enter the result in line 9; nonresidents, multiply total of a and b by line 14g of Form 1-NR/PY and enter the result in line 9.

a. 50000 + b. 20000 = 9 70000
Gifts by cash or check Other than by cash or check (if over \$500, enclose U.S. Form 8283)

Would You Like to Throw This Form Away? 3

You Can If You E-File

What Is E-File?

E-File is filing your state personal income tax return electronically through one of four methods offered by the Massachusetts Department of Revenue (DOR).

The Web



E-Filing via DOR's website, www.mass.gov/dor, is easy and secure. The online short form or online Form 1 performs most of the calculations for you, including the charitable contributions deduction and the Senior Circuit Breaker Credit; after you submit it you will receive confirmation that you have filed. **It's free and available 24 hours a day, 7 days a week.**

Paid Preparer



Hundreds of thousands of taxpayers have had their returns E-Filed through DOR-approved preparers. If your preparer does not offer E-File, ask him or her to give it a try! Visit www.mass.gov/dor for a list of approved preparers.

Commercial Tax Preparation Software



You can also E-File using DOR-approved commercial tax filing websites or software products. Visit www.mass.gov/dor for a complete listing of approved websites and products. This E-File method is also known as "Online Filing."

Personal Identification Number (PIN)

If you received this booklet in the mail, be sure to retain the PIN printed on the back cover. You will need it in order to Web File or Telefile. You may also need it to access the Department's telephone and Web-based systems that allow you to check the status of your refund and perform other actions. If you did not get this booklet in the mail and do not have a PIN, you will need the amount of your requested refund or tax due from your 2000 Massachusetts tax return to access these systems. If you are a first-time filer, you will still be able to access these systems without a PIN.

Why Should You E-File?

- **Less stress.** If you E-File you will not have to worry about math errors, missing schedules or other common mistakes which could delay your refund or cause other problems that take time to resolve. And E-File is safe. Returns are transmitted via secure telephone connections or encrypted Web connections. PLUS, you will receive immediate confirmation that serves as proof you filed. **E-File and relax.**
- **Fast refunds.** Whether you E-File in January or mid-April, you will receive your refund, on average, in four days. You also have the option of having your refund deposited directly into your bank account. (Some commercial tax preparation products may not offer direct deposit.) **Call or click, get it quick!**

- **Easy to use.** Whether you call or click to file your return, or have your preparer E-File for you, the E-File system walks you through it step by step, and does the calculations for you. **Try it! What do you have to lose?**

- **Convenient payment options.** If you have a tax due, you can pay by Electronic Funds Withdrawal, credit or check card, or file now and pay later using Form PV, Massachusetts Income Tax Payment Voucher (by April 16, 2002). Form PV is attached to the back of the "Payment Due" envelope found in this booklet.

Filing Your Extension by Telephone or Via the Web

Taxpayers who want to file an Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, Form M-4868, may do so by telephone or via DOR's website. This option is available to taxpayers who meet the following requirements:

- you filed a 2000 Massachusetts income tax return;
- you owe no tax; or
- if there is a tax due with your extension, payment is made with a Mastercard, Visa, Discover or Novus brand card and your extension is filed by telephone.

If you meet all of the criteria above, call (617) 660-2222 to file your extension by telephone or visit www.mass.gov/dor to file via the Web if you owe no tax. If you do not have Form M-4868, complete the following worksheet before you call to determine whether or not you have a tax due.

1. Enter amount from Form 1-NR/PY, line 36 _____
2. Enter the total of Form 1-NR/PY, lines 39-43. _____
3. Amount due. Subtract line 2 from line 1, not less than "0". _____

Would You Like More Information?

For more information about E-File, visit DOR's website, www.mass.gov/dor or call (617) 887-MDOR, or toll-free in Massachusetts, 1-800-392-6089. DOR's website also offers visitors a searchable index of legal rulings; tax forms and publications; news releases; statistical data and related articles. In addition, our website provides timely information from our Local Services and Child Support Enforcement divisions.

TaxTalk



TaxTalk is our automated system of recorded tax information available by calling (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089 during non-business hours. TaxTalk topics are also available through the Department's Fax on Demand system or via the Department's website at www.mass.gov/dor. For a menu of tax topics available by Fax on Demand, please call (617) 887-1900 using the handset and keypad on your fax machine and, when prompted, enter document retrieval number 4000. To access the list of tax topics through DOR's website, go to "Help/Resources."

TaxTalk Topics

What's New for Tax Year 2001

- 101 Income Tax Rate Change
- 102 What's New in Exemptions?
- 103 Charitable Contributions Deduction
- 104 Long-Term Capital Gains, Filing Your 2001 Tax Return
- 105 Credit for Real Estate Taxes Paid for Persons Age 65 and Older, also known as the Circuit Breaker
- 106 Massachusetts Low-Income Housing Credit
- 107 Increase in Rental Deduction
- 108 Deduction for Employment Related Child and Dependent Care Expenses
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- 110 Increase in Earned Income Credit
- 111 Undergraduate Student Loan Deduction
- 112 Increase in Exemption for Adoption Fee

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- 153 Am I a Part-Year Resident?/Which Return Should I File?
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- 202 Roth and Education IRAs
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- 204 IRA and Keogh Plans
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- 208 Interest & Dividend Income
- 209 Short-Term Capital Gains/Losses & Long-Term Gains on Collectibles
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- 351 Responding to Your Income Tax Bill/Payment by Credit Card
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- 551 Motor Vehicles — General Information

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- 901 Taxpayer Rights and Responsibilities
- 902 When Do I Call the Problem Resolution Office?
- 903 Taxpayer Advocate
- 904 Office of Appeals
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Who Must File

You must file a Massachusetts Nonresident/Part-Year Resident Income Tax Return, Massachusetts Form 1-NR/PY, if you were not a resident of Massachusetts and you received Massachusetts source income in excess of your personal exemption multiplied by the ratio of your Massachusetts income to your total income, or you were not a resident of Massachusetts for the full year and your gross income was more than \$8,000 — whether received from sources inside or outside of Massachusetts.

Check the following categories to make sure you are a nonresident/part-year resident.

1. You are a **full-year Resident** if your legal residence (domicile) was in Massachusetts for the entire taxable year or if you maintained a permanent place of abode in Massachusetts and during the year spent more than 183 days, in the aggregate, in the state. If you fit this description, you should file Form 1, Massachusetts Resident Income Tax Return.
2. You are a **Nonresident** if you are not a resident of Massachusetts as defined above but received Massachusetts source income (e.g. from a job in Massachusetts). Fill in the “Nonresident” oval at the top of the form if this category applies to you.
3. You are a **Part-Year Resident** if, during the taxable year, you moved to Massachusetts or established a permanent place of abode here and became a resident, or you terminated your status as a Massachusetts resident to establish a residence outside the state. Fill in the “Part-year resident” oval at the top of the form if this category applies to you.
4. Complete the checklist below to determine if you are required to file Form 1-NR/PY as both a **Nonresident** and **Part-Year Resident**.

Line 1. Were you a Massachusetts resident for part of the 2001 tax year? ☐ Yes ☐ No.

Line 2. While you were not a resident of Massachusetts in tax year 2001, did you receive Massachusetts source income (e.g., from a job in Massachusetts)? ☐ Yes ☐ No.

If you answered “Yes” to line 1 only, you should file as a **Part-Year Resident**.

If you answered “Yes” to line 2 only, you should file as a **Nonresident**.

If you answered “Yes” to both line 1 and line 2, you must file both as a Nonresident and Part-Year Resident. Fill in the “Filing as both a nonresident and part-year resident” oval below the address section of the form if this category applies to you. Complete Schedule R/NR, Resident/Nonresident Worksheet, to calculate the portion of income earned while a Nonresident and the portion of income earned while a Part-Year Resident. Schedule R/NR is included in this booklet.

For more information on Massachusetts source income, refer to the section “Filing Your Mass. Return.”

Form 1-NR/PY Checklist

Use this checklist before mailing your return to help avoid any errors that may delay the processing of your return.

- ☒ Is your preprinted name and address correct?
- ☒ If you received a preprinted Form 1-NR/PY booklet in the mail, be sure to retain the four-digit Personal Identification Number (PIN) printed on the back cover. You may need it use DOR’s Web-based and/or Interactive Voice Response (IVR) applications, such as checking the status of your refund.
- ☒ Have you entered your Social Security number(s) on Form 1-NR/PY, even if you received a preprinted booklet in the mail?
- ☒ Have you completed your Form 1-NR/PY in black ink?
- ☒ Are all ovals filled in as necessary?
- ☒ If using the whole-dollar method, have you filled in the correct oval?
- ☒ If filing Schedule D, have you completed and enclosed pages 1–4?
- ☒ Have you printed all dollar amounts completely within the boxes?
- ☒ Have you marked an “X” in any form or schedule box that shows a loss?
- ☒ Is your Social Security number correct on your Form(s) W-2 or 1099? If incorrect, make the necessary changes on Form(s) W-2 or 1099.
- ☒ Have you attached with a single staple your Forms W-2 or 1099 to the return where indicated?
- ☒ If making a payment, have you stapled your check to the front of Form PV, Massachusetts Income Tax Payment Voucher, and enclosed (not stapled) Form PV with your return? Form PV is attached to the back of the “Payment Due” envelope found in this booklet.
- ☒ Are you filing an original copy of the form? Remember, photocopies of the forms and schedules are not acceptable.
- ☒ Have you enclosed (not stapled) all supporting schedules and documentation?

Major 2001 Tax Changes

Tax Lowered on Wages, Salaries and Certain Other Items of Income

Legislation passed in 2000 resulting from a ballot initiative provides a reduction of the tax rate on wages, salaries, and certain other items of income that will be phased in over a three-year period starting with tax year 2001. This category of income, called “5.6% income” on Form 1-NR/PY, includes such items as wages, salaries, other employee compensation, tips, pensions, partnership income, business income, rents, alimony, winnings

and Massachusetts bank interest. The tax rate on this category of income is decreased from 5.85% to 5.6% for taxable year 2001. For taxable years beginning in 2002 the rate is reduced to 5.3%. For taxable years beginning in 2003 and thereafter, the rate is reduced to 5%.

Tax Lowered on Interest and Dividends

Under a recent law change, the tax rate on dividends and interest (other than interest from Massachusetts banks) is the same as the tax rate on the category of income including wages, salaries, etc., that is more fully described above. The tax rate on dividends and interest is decreased from 5.85% to 5.6% for taxable year 2001; to 5.3% for 2002; and to 5% for 2003 and thereafter. 12% income continues to include short-term capital gains, as well as short- and long-term capital gains arising from the sale of collectibles, and pre-1996 installment sales classified as capital gain income for Massachusetts purposes.

Lower Capital Gains Tax Rates Fully Phased In

Legislation passed in 1994 reduced the tax on gain from the sale of capital assets held for more than one year. For purposes of the law, holding periods will commence on January 1, 1995. The lower tax rates, ranging from 5% to 0%, have been gradually phased in over six years as holding periods increase from the commencement date.

Gains on the sale of capital assets (excluding collectibles) held for more than one year but not more than two years are taxed as 5% income, those held for more than two years but not more than three years are taxed as 4% income, those held for more than three years but not more than four years are taxed as 3% income, those held for more than four years but not more than five years are taxed as 2% income, those held for more than five years but not more than six years are taxed as 1% income, and those held for more than six years are taxed as 0% income. Deductions from these items of income include long-term capital losses, certain short-term capital losses, allowable deductions from your trade or business, and excess exemptions.

For a detailed explanation of the new law, see the Department's Regulation on Capital Gains and Losses at 830 CMR 62.4.1.

Exemption for Adoption Agency Fees Increased

Under prior law, an exemption was allowed for fees paid to a licensed adoption agency in connection with the adoption of a minor child by the taxpayer to the extent that such fees exceeded 3% of adjusted 5.6% income. Starting with tax year 2001, the exemption for adoption agency fees is allowed for the full amount of fees paid by the taxpayer regardless of the amount of adjusted gross income. In addition, the exemption is broadened to include fees paid by the taxpayer within the taxable year to any agency licensed to place children for adoption on account of the adoption process of a minor child regardless of whether an adoption actually takes place during the tax year.

New Charitable Contributions Deduction

Beginning with tax year 2001, a deduction is allowed for certain charitable contributions paid on or after January 1, 2001. In general, the deduction is equal to the amount of the charitable contributions deduction allowed to the taxpayer under IRC sec. 170 as in effect on January 1, 1998. The amount of the Massachusetts deduction will be subject to all of the requirements, conditions and limitations imposed on the federal charitable contributions deduction. However, although individual taxpayers must itemize deductions in order to claim the charitable deduction on their federal income tax returns, they are not required to itemize on the federal return in order to claim the Massachusetts charitable deduction. To claim this deduction, see Schedule Y, line 9. For more information, see the Department's proposed regulation, Deduction for Charitable Contributions.

Increase in the Deduction for Employment-Related Child and Dependent Care Expenses

Under prior law, a deduction was allowed for dependent care expenses up to the amount of employment-related expenses used for determining the federal dependent care credit under IRC sec. 21. Starting with tax year 2001, a taxpayer may exceed the federal limit on the work-related child and dependent care deduction. For tax year 2001, the maximum Massachusetts deduction is \$3,600 of employment-related expenses for one qualifying individual, and \$7,200 of employment-related expenses for two or more qualified individuals.

Expansion and Increase in the Non-Work-Related Dependent Deduction

Under prior law, a \$1,200 deduction was allowed to taxpayers that maintain a household which includes one or more dependents under age 12. Beginning with tax year 2001, the non-work-related child and dependent care deduction extends to households with one or more dependents under age 12, or one or more dependents who are age 65 or older, or who are disabled. For tax year 2001, the deduction is increased to \$2,400 for one qualifying dependent, and to \$4,800 for two or more qualifying dependents.

Increase in the Maximum Rental Deduction

Under prior law, renters were allowed a deduction for one-half their rent for their principal place of residence if located in Massachusetts, up to a maximum of \$2,500. Starting with tax year 2001, the maximum rental deduction is increased from \$2,500 to \$3,000 (\$1,500 if married filing separately).

Undergraduate Student Loan Interest Deduction

Starting with tax year 2001, a taxpayer may take a deduction, on Schedule Y, line 8, for interest payments on "education debt" that is not limited to the dollar amount or the 60-month period of the federal deduction for student loan interest. However, the new Massachusetts deduction applies only to undergraduate educa-

tion and not to graduate education. "Education debt" includes any loan which is or was administered by the financial aid office of a two-year or four-year college at which the taxpayer or taxpayer's dependent was enrolled as an undergraduate. The loan must have been obtained and expended solely for the purpose of paying tuition and other expenses directly related to undergraduate student enrollment. Unlike the federal deduction, the Massachusetts deduction applies regardless of the total income of the taxpayer. The new deduction will not be allowed for the same expenses claimed on Schedule Y, line 5, Student Loan Interest Deduction.

New Real Estate Tax Credit for Certain Persons Age 65 and Older

Starting in 2001, a new refundable Circuit Breaker credit is allowed to an owner or tenant of residential property located in Massachusetts equal to the amount by which the real estate tax payment or the rent constituting real estate tax payment exceeds 10% of the taxpayer's total income, not to exceed \$385. In order to qualify for the credit, a taxpayer must be age 65 or older and must occupy the property as his or her principal residence. "Rent constituting real estate tax payment" is 25% of the rent actually paid by the taxpayer, under a good faith rental agreement, for the right of occupancy of the residence during the taxable year. The amount of the credit is subject to limitations based on the taxpayer's total income and the assessed value of the real estate. No credit is allowed if the taxpayer receives a federal or state rent subsidy or is the dependent of another taxpayer. For more information, see Technical Information Release (TIR) 01-19, Real Estate Tax Credit for Certain Persons Age 65 and Older.

Increase in Earned Income Credit

Beginning with tax year 2001, the Massachusetts earned income credit is increased to 15% of the federal earned income credit allowed under IRC sec. 32. To claim the Massachusetts earned income credit, the taxpayer must be qualified for and must claim the federal earned income credit.

Credit for Building or Development of Low-Income Housing

Effective for tax years beginning on or after January 1, 2001, a new low-income housing credit is available to certain taxpayers that claim a federal low-income housing credit for the building or development of low-income housing under IRC sec. 42. The amount of credit a taxpayer can claim for a qualified Massachusetts project will be allocated by the Massachusetts Department of Housing and Community Development. A qualified Massachusetts project is a "qualified low-income housing project" as that term is defined in IRC sec. 42 if it is located in Massachusetts, meets the requirements of M.G.L. c. 62, sec. 6I and the owner enters into a regulatory agreement with the Department of Housing and Community Development.

The U.S. Internal Revenue Code as of January 1, 1998

Massachusetts generally adopts the federal treatment of items of income and the federal exclusions from gross income. In addition, certain deductions allowed for federal tax purposes are allowed for Massachusetts tax purposes. With certain exceptions, Massachusetts now adopts the Internal Revenue Code as amended and in effect on January 1, 1998. The exceptions, which will be treated according to the current Internal Revenue Code, are listed below. See TIR 98-15 for an explanation of the major changes to the Massachusetts personal income tax provisions as a result of the adoption of the January 1, 1998 Internal Revenue Code.

Federal Law Changes NOT Adopted by Massachusetts

► **Employer-Provided Educational Assistance — IRC sec. 127.** Massachusetts adopts the provisions of IRC sec. 127 in effect on January 1, 1998, that provide an exclusion from gross income of up to \$5,250 for certain employer-provided education assistance for undergraduate courses, but the exclusion does not apply to payments for any course that began after May 31, 2000. After January 1, 1998, federal legislation made the IRC sec. 127 exclusion permanent and expanded it to graduate courses. These federal changes have not been adopted by Massachusetts. Therefore, employer-provided educational assistance benefits excluded from federal gross income under IRC sec. 127 are included in Massachusetts gross income in 2001.

► **Parking, T-Pass and Vanpool Fringe Benefits — IRC sec. 132(f).** Generally, Massachusetts follows the exclusion from an employee's gross income for employer-provided parking, T-Pass, and vanpool benefits. However, two federal Acts subsequent to January 1, 1998, have created differences between the Massachusetts and federal treatment of this exclusion. The federal exclusion amounts for tax year 2001 are \$180 per month for employer-provided parking and \$65 per month for employer-provided vanpool and T-pass benefits combined. The Massachusetts exclusion amounts for tax year 2001 are \$185 per month for employer-provided parking and \$70 per month for employer-provided vanpool and T-pass benefits combined. Further, Massachusetts will not allow an exclusion for T-pass and vanpool benefits unless they are provided by an employer without charge to the employee. These differences will be reflected in the Form W-2 provided by your employer. See TIR 01-12.

► **Self-Employed Health Insurance Deduction — IRC sec. 162(l).** A federal and Massachusetts deduction is allowed for amounts paid for medical care insurance for a self-employed taxpayer and his or her spouse and dependents. For federal purposes the deduction will be 60% of the qualified insurance payments for the 2001 tax year. However, due to differences between the Internal Revenue Code as amended and in effect as of

January 1, 1998, and the current year, only 50% of the qualified insurance payments are deductible for Massachusetts purposes for the 2001 tax year.

Massachusetts Adopts the Current Internal Revenue Code for Certain Federal Tax Provisions.

The areas in which Massachusetts applies the current Internal Revenue Code consist of:

- ▶ exclusions of certain income derived from Roth IRAs as defined in IRC sec. 408A and Education IRAs as defined in IRC sec. 530;
- ▶ treatment of rollovers from a traditional to Roth IRAs;
- ▶ exclusion of gain from the sale of a principal residence provided by IRC sec. 121;
- ▶ deduction of trade or business expenses under IRC sec. 162(a); and
- ▶ the limitations provided by IRC secs. 274(m) and (n) for the deduction of certain travel and meals and entertainment expenses.

For the above items, Massachusetts automatically adopts all changes to the Internal Revenue Code, including changes made after January 1, 1998. For more information, see TIR 98-8 and TIR 98-15.

Privacy Act Notice

Under the authority of 42 U.S.C. sec. 405(c)(2)(C)(i), and M.G.L. c. 62C, sec. 5, the Department of Revenue has the right to require an individual to furnish his or her Social Security number on a state tax return. This information is mandatory. The Department of Revenue uses Social Security numbers for taxpayer identification to assist in processing and keeping track of returns and in determining and collecting the proper amount of tax due. Under M.G.L. c. 62C, sec. 40, the taxpayer's identifying number is required to process a refund of overpaid taxes. Although tax return information is generally confidential pursuant to M.G.L. c. 62C, sec. 21, the Department of Revenue may disclose return information to other taxing authorities and those entities specified in M.G.L. c. 62C, secs. 21, 22 or 23, and as otherwise authorized by Law.

Getting Started

If you follow this easy three-step process, you should be able to complete your form with a minimum amount of time and effort.

Step One — Gather Your Records

Before you begin, gather all your records together, including your Form(s) W-2 (Wages), W-2G (Winnings), and any Form(s) 1099. Use this information to complete your U.S. Form 1040, 1040A, 1040EZ, 1040NR, 1040NR-EZ or U.S. Telefile Tax Record first. The information on your U.S. return will help you complete your Massachusetts return.

Step Two — Complete Your Return

First, remove the forms from this booklet. If you received this booklet in the mail and the information in the preaddressed area is correct, file this return with the Department of Revenue. Be sure to enter your Social Security number(s) in the spaces provided. If you received a preprinted Form 1-NR/PY booklet in the mail, be sure to retain the four-digit Personal Identification Number (PIN) printed on the back cover. You may need it use DOR's Web-based and/or Interactive Voice Response (IVR) applications, such as checking the status of your refund. If your address has changed, make all of the necessary changes on the preprinted form. Please keep the extra copy for your records; you may need information from it when you complete your return next year.

When completing your return, simply proceed line by line, reading the instructions for each line before you enter any amounts. Make entries in black ink only. If a line does not apply to you, leave it blank. Be sure to check your return to make sure it is correct.

Step Three — Sign Your Return

After you have checked your return, be sure to sign it. Your spouse must also sign if it is a joint return. Please note that the signature area is at the bottom of page 3 of Form 1-NR/PY. Form 1-NR/PY is not considered a valid return unless it is signed. Original signatures are required or the return will not be accepted. If a payment is due, be sure to staple your payment to the front of Form PV, Massachusetts Income Tax Payment Voucher, and enclose Form PV with your return. Form PV is attached to the back of the "Payment Due" envelope found in this booklet.

Common Mistakes

An incomplete or incorrect return can delay the processing of your return. Following are a number of tips to help us process your return as quickly as possible.

Note: You should **not** staple any items, other than any required Form(s) W-2 or 1099s, to Form 1-NR/PY. Any enclosures such as schedules, statements, Form PV, Schedule R/NR, etc. should simply be placed in the envelope along with Form 1-NR/PY when mailing.

► **Missing Social Security Number(s).** Be sure to enter your Social Security number(s) in the spaces provided, even if you received a preprinted booklet in the mail.

► **Incorrect Computation.** The Department corrects many returns each year due to errors in computation. Before mailing your return, check your arithmetic to make sure the computations are correct.

► **Filing Status.** Be sure to fill in the correct oval in line 1, Filing Status. This line is frequently overlooked.

► **Exemptions.** Be sure that you specify the number of exemptions you are claiming in line 4, items b, c and d. Enter the appropriate number(s) in the small white box.

► **Missing Pages of Form 1-NR/PY.** Form 1-NR/PY is three pages. Be sure to include all three pages of the return when mailing.

► **Missing Withholding Statement(s).** Be sure the state copy of all Forms W-2 (Wages), W-2G (Winnings) and any Forms 1099 that show Massachusetts income tax withheld are attached with a single staple. These forms are frequently missing and must be obtained later from you in order to process the return.

► **Missing Supporting Schedules.** Be sure all required schedules are enclosed to support the information on your Form 1-NR/PY. These include Massachusetts Schedules X, Y, Z, B, C, C-2, D (all four pages), E, BC, CB, EC, EOA, FEC, LP, SC and all required U.S. schedules. Also remember to enclose: copies of other states' return when claiming a credit for income tax paid to another state or jurisdiction; a certificate of compliance or verification letter if claiming the Septic Credit; a letter of compliance or interim control if claiming the Lead Paint Credit; a copy of the response action outcome statement or remedy operation status submittal stamped by the Department of Environmental Protection if claiming the Brownfields Credit; and a copy of the eligibility statement issued by the Department of Housing and Community Development if claiming the Low Income Housing Credit. We cannot process your return without these forms.

► **Government Employee Pension Contributions.** If you were a state, local or county employee and made contributions to a Massachusetts state or local pension plan, your total wages for state purposes will be different from the amount you report on your U.S. return. Report your total state wages from your Form(s) W-2 on Form 1-NR/PY.

► **Earned Income Credit.** You must have your federal earned income credit amount from your U.S. return or as computed by the IRS if you wish to claim the earned income credit on Form 1-NR/PY.

► **Charitable Contributions Deduction.** If you are claiming the charitable contributions deduction on Schedule Y, line 9 and made contributions other than by cash or check in excess of \$500, be sure to enclose U.S. Form 8283.

► **Circuit Breaker Credit.** Be sure to complete and enclose Schedule CB, Circuit Breaker Credit, if you qualify to claim this credit.

► **Missing Signatures.** Thousands of unsigned returns are received by the Department every year. These returns must be returned to the taxpayers for signatures. If a joint return is filed, both spouses must sign the return. Make sure signatures are on the correct lines.

► **Missing Form PV.** If you are making a payment, make certain you fill out Form PV, Massachusetts Income Tax Payment Voucher, and staple your payment to the front of Form PV. Form PV is attached to the back of the "Payment Due" envelope found in this booklet. Enclose Form PV with your return.

Filing Your Mass. Return

As a nonresident, you must file Form 1-NR/PY if your Massachusetts source income for 2001 exceeded the smaller of your apportioned personal exemption, or \$8,000.

What Is Massachusetts Source Income for Nonresidents?

The term "Massachusetts source income" is used throughout this booklet to describe the types of income which are taxable to a nonresident.

A nonresident is only subject to tax on items of income derived from or effectively connected with:

- any trade, business, or employment carried on in Massachusetts (see the following section);
- participation in any lottery or wagering transaction in Massachusetts; or
- ownership of any interest in real or tangible personal property located in Massachusetts.

Some examples of the types of income taxable to a nonresident include:

- all wages, salaries, tips, bonuses, fees and other compensation which relate to activities carried on in Massachusetts, regardless of where the compensation is paid;

- ▶ unemployment compensation related to previous Massachusetts employment;
- ▶ profit from a business, trade, profession, partnership or S corporation conducted in Massachusetts;
- ▶ rents and royalties from real and tangible personal property located in Massachusetts or from other business activities in Massachusetts;
- ▶ gain from the sale of real or tangible personal property located in Massachusetts; and
- ▶ interest and dividends, only if derived from or connected with Massachusetts business activity, or the ownership of Massachusetts real estate or tangible personal property.

Income from Massachusetts sources which is not taxed to residents is not taxed to nonresidents, e.g., interest on debt obligations of the U.S. and amounts received as Social Security and worker's compensation.

In general, the same exemptions and deductions allowed to residents are available to nonresidents to determine taxable income. These items are allowed, however, only to the extent they relate to, or are allocable to, Massachusetts source income.

Am I Carrying on a Trade, Business or Employment in Massachusetts as a Nonresident?

A nonresident generally does not have a trade, business or employment carried on in Massachusetts if his/her presence for business in Massachusetts is casual, isolated and inconsequential. A nonresident's presence for business will be considered casual, isolated and inconsequential if it meets any of the following:

- ▶ The nonresident's presence for business in Massachusetts does not exceed 10 days in the taxable year except that a nonresident directly earning more than \$6,000 of gross income from business or employment activities — for example, a commission earned by a salesperson for a Massachusetts sale does not have a casual, isolated or inconsequential presence for business in Massachusetts, regardless of the number of days in Massachusetts;
- ▶ The gross income from presence for business in Massachusetts does not exceed \$6,000 in the taxable year; or
- ▶ The nonresident's business presence in Massachusetts is ancillary to the nonresident's primary business or employment duties performed at a base of operations outside Massachusetts — for example, an occasional presence in Massachusetts for management functions, and other similar activities which are secondary to the individual's primary out-of-state duties.

Are Military Personnel Required to File?

If you enlisted in the service as a Massachusetts resident and have not established a new domicile (legal residence) elsewhere and if your gross income is more than \$8,000, you are required to file a Massachusetts income tax return. This applies even though you may be stationed outside of Massachusetts. The terms "legal residence" and "domicile" are used to denote that place where you have your permanent home and to which, whenever you are absent, you have the intention of returning. Nonresident military personnel stationed in Massachusetts may be subject to Massachusetts taxes and should file Form 1-NR/PY if they earn income from other than military sources.

No guidance is intended on the tax status of such pay under the laws of other states. Generally, when income is taxable in two jurisdictions, a credit for taxes paid to the other jurisdiction is allowed on the taxpayer's return in the state of his/her residence.

How Do I Determine My Legal Residence (Domicile)?

Your legal residence is determined by all the facts and circumstances in your case. If you have two or more residences, your legal residence is the one you regard as your true home or principal residence. You cannot choose to make your home in one place for the general purposes of life and in another for tax purposes. Your legal residence is usually the place where you maintain your most important family, social, economic, political and religious ties. A change of legal residence will not be accomplished by a temporary or protracted absence from a place; you must not intend to return.

Note: A person is also considered a resident if they maintain a permanent place of abode in Massachusetts and spend more than 183 days, in the aggregate, in the state. See Technical Information Release (TIR) 95-7 for a further explanation.

What is Gross Income For a Part-Year Resident?

As a part-year resident, you must file Form 1-NR/PY if your gross income was more than \$8,000 — whether received from sources inside or outside of Massachusetts. Gross income for a part-year resident includes the following:

- ▶ all wages, salaries, tips, bonuses, fees & other compensation;
- ▶ taxable pensions and annuities;
- ▶ alimony;
- ▶ income from a business, trade, profession, partnership, S corporation, trust or estate;
- ▶ rental, royalty and REMIC income;
- ▶ unemployment compensation;
- ▶ taxable interest and dividends;
- ▶ gambling winnings;
- ▶ capital gains;

- ▶ taxable portion of scholarships and fellowships; and
- ▶ any other income not specifically exempt.

Massachusetts gross income also includes the following which are not subject to the U.S. income tax:

- ▶ interest from obligations of states and their political subdivisions, other than Massachusetts and its political subdivisions; and
- ▶ income earned by a resident from foreign employment.

Massachusetts gross income does not include:

- ▶ interest on obligations of the U.S.; and
- ▶ amounts received as U.S. Social Security, public welfare assistance, Veterans Administration disability payments, G.I. Bill education payments, worker's compensation, gifts, accident or life insurance payments, or certain payments received by Holocaust survivors.

What Adjustments Must I Make as a Part-Year Resident?

Part-year residents must adjust income, deductions and exemptions when completing Form 1-NR/PY. In general, these items are reduced because all of your income will not be subject to Massachusetts tax. Your deductions and exemptions are based on the number of days you were a Massachusetts resident or the amount of income that is subject to Massachusetts tax.

Income: Lines 5 through 11, 24, 27 and 28

If you earned only a portion of the income you reported on your U.S. return while you were a Massachusetts legal resident, subtract from your U.S. income the amount earned and received while you were legally domiciled in another state or country. However, you may be required to include all income derived from Massachusetts sources earned while you were a nonresident (e.g., rental property in Massachusetts) on Schedule R/NR, Resident/Nonresident Worksheet.

Deductions: Lines 15 through 19

Most deductions are based on the actual amounts paid by you associated with the deduction for the period of time you were in Massachusetts.

Line 17 (the deduction for a dependent under age 12, or dependents age 65 or over as of December 31, 2001, or disabled dependent(s)), Schedule Y, line 5 (student loan interest deduction, Archer medical savings account (MSA) deduction and the deduction for clean fuel vehicles), Schedule Y, line 7 (college tuition deduction), Schedule Y, line 8 (undergraduate student loan interest deduction) and Schedule Y, line 9 (charitable contributions deduction) are the only deductions based on the proration of the number of days you were a Massachusetts resident. For example, if you are entitled to claim one dependent under age 12, and

if you lived in Massachusetts for only four months, you can claim a deduction equal to \$800 (one-third of the \$2,400 to which you are otherwise entitled). See line 2 on Form 1-NR/PY for the proration formula.

Lines 15, 16 and 18 and Schedule Y, lines 1–4, line 5 (moving expenses, self-employed health insurance deduction, qualified performing arts-related expenses, jury duty pay given to your employer, reforestation amortization, repayment of supplemental unemployment benefits under the Trade Act of 1974, employee business expenses of fee-basis state or local government officials, and deductible expenses related to income reported on U.S. Form 1040, line 21 and Massachusetts Schedule X, line 5) and Schedule Y, line 6 are based on the actual amounts paid or received for the period of time you were in Massachusetts. For example, you may only deduct the amount of alimony paid (Schedule Y, line 3) while you were a Massachusetts resident. Similarly, the deduction for penalties on the early withdrawal of savings is only available if the penalties were related to Massachusetts interest income reportable, or previously reported, on a Massachusetts tax return.

Exemptions: Lines 4a through 4f

Your total exemptions (line 4f) must be prorated based upon the ratio of days you were a Mass. resident. To adjust your exemptions, use the formula in line 2 and see line 22 instructions.

Earned Income Credit: Line 42

Your earned income credit (line 42) must be prorated based upon the ratio of days you were a Mass. resident. To adjust this credit, use the formula in line 2 and see line 42 instructions.

Should I Make Estimated Tax Payments in 2002?

Every taxpayer (whether a resident or nonresident) who expects to pay more than \$200 in Massachusetts income taxes on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes using Massachusetts Form 1-ES, Estimated Income Tax Vouchers. See line 41 instructions for a further discussion of who must pay quarterly estimated taxes to the Department of Revenue.

In most cases, the first payment voucher, Massachusetts Form 1-ES, must be filed on or before April 15 of the taxable year. The estimated tax may be paid in full with the first payment voucher or in four installments on or before April 15, June 15, September 15 of the taxable year and January 15 of the following year.

If 80% of the tax is not paid throughout the year by withholding and/or estimated tax payments you may have to pay a penalty.

Line by Line Instructions

How Do I File a Decedent's Return?

A final income tax return must be filed for a taxpayer who died during the taxable year. It must be signed and filed by his/her executor, administrator or surviving spouse for the portion of the year before the taxpayer's death. Be sure to fill in oval 1 if the taxpayer who was listed first on last year's income tax return is deceased, or oval 2 if the taxpayer who was listed second on last year's income tax return is deceased. Also, enclose a statement with the refund claimant's name and Social Security number clearly printed.

A joint return may be filed by a surviving spouse. In the case of the death of both spouses, a final return must be filed by their legal representative.

Any income received for the decedent for the taxable year after the decedent's death, and for succeeding taxable years until the estate is completed, must be reported each year on Massachusetts Form 2, Massachusetts Fiduciary Income Tax Return.

If the decedent's return shows a refund due, and if the Probate Court has not appointed a legal representative and none is contemplated, a Massachusetts Form M-1310, Statement of Claimant to Refund Due on Behalf of Deceased Taxpayer, must be enclosed with the return so the refund check may be made payable to the proper person.

When to File Your Return

Form 1-NR/PY is due on or before April 16, 2002.

How Do I File for an Extension?

To receive an extension of time to file, you must file an Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax, Massachusetts Form M-4868, and pay the amount of tax you expect to owe on or before the due date for filing your Massachusetts income tax return. The filing and approval of this form will extend the due date for six months. An approved extension means only that you will not be assessed a late penalty for filing your return after the due date. Interest is charged on any tax not paid by the original due date.

If you are filing for an extension and either owe no tax or choose to pay your tax due by Mastercard, Visa, Discover or Novus brand card, you may file your application for extension by touch-tone telephone or via the Web (see page 3 for more information), or if you owe no tax, you may substitute U.S. Form 4868 for the Massachusetts extension form. Be sure to indicate on the form that this extension is for Massachusetts purposes.

Must I File on a Calendar Year Basis?

No. You may file on a fiscal year basis if you keep your books and records on that fiscal year basis and if you receive permission from the Commissioner of Revenue. If you file on a fiscal

year basis, you must file on or before the fifteenth day of the fourth month after the end of the fiscal year.

What Should I Do if I Make a Mistake or Leave Something Off My Return?

If, after filing your income tax return, you receive an additional tax statement, such as a W-2 or 1099, or discover that an error was made, do not submit a second tax return. If corrections are necessary, you must file Massachusetts Form CA-6, Application for Abatement/Amended Return. This form is available at www.mass.gov/dor, or you may have one mailed to you by calling (617) 887-MDOR.

Name and Address

Use the preaddressed return in the front of the booklet we sent you if all of the preprinted information is correct. Be sure to enter your Social Security number(s) in the space(s) provided. If you received a preprinted Form 1-NR/PY booklet in the mail, be sure to retain the four-digit Personal Identification Number (PIN) printed on the back cover. You may need it use DOR's Web-based and/or Interactive Voice Response (IVR) applications, such as checking the status of your refund. If your address has changed, please make all of the necessary changes on the preprinted form. If you did not receive a preaddressed return, print the full name, address, and Social Security number of each person filing the return in the spaces provided. Enter names as they appear on your federal return.

Social Security Number(s)

Be sure to enter your Social Security number on your return, even if you received a preprinted booklet in the mail. Failure to show the correct Social Security number in the space provided will delay the processing of your return. If filing jointly, list your numbers in the order they appear on your federal return. Also, be sure your employer has listed the correct Social Security number on your Form W-2. If you are married, you must list your spouse's Social Security number even if you are filing a separate return.

Beginning January 1, 1997, each foreign person must use an identification number on any U.S. or Massachusetts tax return or refund claim filed. Certain aliens who cannot obtain Social Security numbers (SSNs) must obtain an IRS-issued individual taxpayer identification number (ITINs). This number can be obtained by filing Form W-7 with the IRS. The ITIN is not available for U.S. citizens or persons legally permitted to reside permanently or to work in the United States. These taxpayers qualify for SSNs and should obtain them from the Social Security Administration by filing Form SS-5. You may obtain Form SS-5 from your local Social Security Administration (SSA) or call the SSA at 1-800-772-1213.

Residency Status

Fill in the “Nonresident” oval if you were not a resident of Massachusetts and you received Massachusetts source income. See the section “What is Massachusetts Source Income for Nonresidents?” on page 9 for an explanation of Massachusetts source income.

Fill in the “Part-year resident” oval if you were a resident of Massachusetts for less than the full year, you received Massachusetts gross income in excess of \$8,000 and you did not receive Massachusetts source income while a nonresident.

Fill in the “Filing both as a nonresident and part-year resident” oval if both categories apply to you in the same tax year. See the section “Who Must File” on page 5. You must also complete and enclose with your return Schedule R/NR, Resident/Nonresident Worksheet. This worksheet is included in this booklet.

Name/Address Change

If you legally changed your name or address in 2001, fill in the oval. If you changed your name enclose a copy of your Social Security card or driver's license showing your new name. Failure to include this documentation could delay processing of your return. If you move after filing, be sure to leave a forwarding address with your local post office and file a Change of Address Form with the Massachusetts Department of Revenue. This form is available at www.mass.gov/dor.

Deceased Taxpayer

Be sure to fill in the appropriate oval if a taxpayer died during the taxable year. For further information, refer to the section “How Do I File a Decedent's Return?” on page 12 of the instructions.

Voluntary Contribution to Massachusetts Election Campaign Fund (for Part-Year Residents Only)

You, and your spouse if filing jointly, may voluntarily contribute \$1 each to the Massachusetts Election Campaign Fund. The purpose of the fund is to provide limited public financing for campaigns for statewide and legislative office and the Governor's Council of candidates participating in the program set up under the 1998 Massachusetts Clean Elections Law. This contribution will not change your tax or reduce your refund.

Note: Lines without specific instructions are considered to be self-explanatory.

Filing Status

1 Single

Fill in the “Single” oval if you were single as of December 31, 2001. This status applies to you if, at the close of the taxable year, you fit into any of the following categories:

- you were unmarried;
- you were a widow or a widower whose spouse died before 2001; or

- you were legally separated under a final judgment of the probate court.

Please note that you are not single if: 1) you have obtained a judgment of divorce which has not yet become final; 2) you have a temporary support order; or 3) you and your spouse simply choose to live apart.

Married Filing Joint Return

Fill in the “Married filing joint return” oval if you were legally married as of December 31, 2001, and you elect to file a joint return. A joint return is allowed even if only one spouse had income. Both spouses are responsible for the accuracy of all information entered on a joint return, and both must sign. If your spouse died during 2001, you may still choose to file a joint return.

Please note that a joint Form 1-NR/PY is **not** allowed unless each spouse is reporting income for the same resident or nonresident period. For example, John (a Massachusetts resident) and Jane (a New Hampshire resident) both work in Massachusetts. After they were married in June 2001, John moved to New Hampshire to live with Jane. They cannot file a joint return because their nonresident tax years are different. (Jane lived in New Hampshire during the entire year, but John only lived there for six months.)

Married Filing Separate Return

Fill in the “Married filing separate return” oval if you were legally married as of December 31, 2001, but you elect to file a separate return. Enter your spouse's Social Security number in the space provided.

Head of Household

Fill in the “Head of household” oval if you qualify to file this status federally and would like to file as head of household for Massachusetts purposes.

Note: You may wish to figure your taxes based upon more than one filing status to see which status is to your benefit.

2 Part-Year Resident Proration Formula

Part-year residents must fill out the proration formula in line 2. Enter the dates you were a Massachusetts resident in the spaces provided. Then, enter the total days you were a Massachusetts resident and divide this number by 365 and carry this division out to four decimal places. Failure to do so may delay the processing of your return. This figure is used to determine the portion of certain deductions, exemptions and the earned income credit a part-year resident may be eligible for.

3 Total U.S. Income

Enter the amount of your total income before adjustments from your U.S. return — U.S. 1040, line 22; 1040A, line 15; 1040EZ, line 4; 1040NR, line 23; 1040NR-EZ, line 7; or U.S. Telefile Tax Record, item I. This item is requested for administrative reasons; it is not used in the calculation of your tax. **Note:** If you are filing

Form 1-NR/PY as “married filing separate return” and you filed your U.S. return jointly, the amount entered in line 3 should only be the amount attributable to your portion of total U.S. income.

Whole-Dollar Method

Rounding off all amounts on your return will hasten processing of your return. If doing so, please fill in the appropriate oval. Then, round off, to the nearest dollar, all amounts on the return and on any attached schedules.

- Do not use the whole-dollar method in calculations on worksheets that you use to reach the amounts shown on your return.

Noncustodial Parent

Fill in this oval if you are a “**noncustodial parent**.” A noncustodial parent is defined as a person who has a minor child, but does not live with the child.

Note: If you are the biological parent of a child, but your parental rights have been terminated, you are not the noncustodial parent of that child.

4 Exemptions

Line 4a: Personal Exemptions

Each taxpayer is entitled to claim a personal exemption. The amount of your personal exemption depends on your filing status as filled in line 1: single, married filing a joint return, married filing a separate return or head of household.

- If you are single or married filing a separate return, enter \$4,400 in item a.
- If filing as head of household, enter \$6,800 in item a.
- If married filing a joint return, enter \$8,800 in item a.

Line 4b: Number of Dependents

You may claim a \$1,000 exemption for each of your dependents if you claimed them on your U.S. return. Enter in the box in item b the number of the dependents you listed on U.S. Form 1040 or 1040A, line 6c or U.S. Form 1040NR, line 7c. Do not include yourself or your spouse. Then, multiply that total by \$1,000 and enter the total amount in line 4b.

Note: In a few cases, the number of dependents claimed for Massachusetts purposes and for U.S. purposes may differ. For U.S. tax purposes, a dependent exemption is not allowed for a person who would otherwise be a dependent but who files his/her own income tax return and claims a personal exemption. For Massachusetts tax purposes, you can claim a dependent exemption for such a person. If you claim such a dependent in Massachusetts, increase the number reported in item b from your U.S. return by the number of such additional dependents.

Line 4c: Age 65 or Over Before 2002

You are allowed an additional \$700 exemption if you were age 65 or over before January 1, 2002. If your spouse was age 65 or over and you are filing a joint return, you may also claim a \$700

exemption for your spouse. Fill in the appropriate oval(s) and enter the total number of persons age 65 or over in the small box. Then, multiply that total by \$700 and enter the total amount in line 4c.

Line 4d: Blindness Exemption

You are allowed an additional \$2,200 exemption if you are legally blind. If your spouse is also legally blind and you are filing a joint return, you may also claim a \$2,200 exemption for your spouse. Fill in the appropriate oval(s) and enter the total number of blindness exemptions in the small box. Then, multiply that total by \$2,200 and enter the total amount in line 4d.

Legal Definition of Blindness

You are legally blind and qualify for the blindness exemption if your visual acuity with correction is 20/200 or less in the better eye, or if your peripheral field of vision has been contracted to a 10-degree radius or less, regardless of visual acuity.

Line 4e: Other: Medical and Dental Expenses/Adoption Agency Fee

You may claim an exemption for medical and dental expenses paid during 2001 only if you itemized these expenses on your U.S. Form 1040, Schedule A. If you are married filing a joint U.S. Form 1040, you must file a joint Massachusetts Form 1-NR/PY to claim this exemption. Enter in line 4e, item 1 the amount reported on your U.S. Form 1040, Schedule A, line 4.

If you paid adoption fees to a licensed adoption agency during 2001, you are eligible for an exemption of the total amount of the fees paid, including fees paid during 2001 to an agency licensed to place children for adoption on account of the adoption process of a minor child regardless of whether an adoption actually took place during 2001. Enter this amount in line 4e, item 2.

Note: No deduction is allowed for any portion of expenses that are paid or reimbursed by an employer and excluded from gross income under IRC sec. 137.

Enclose a statement showing the name and address of the licensed adoption agency and the agency fees. Add item 1 and item 2 and enter the total in line 4e.

Line 4f: Total Exemptions

Add lines 4a through 4e and enter the total in line 4f. This amount should also be entered on line 22a of Form 1-NR/PY.

Lines 5 through 11

Income received by nonresidents is taxed only when it is from Massachusetts sources. Refer to the general instructions in this booklet for a definition of Massachusetts source income. The instructions for each of these lines will describe Massachusetts source income in more detail. For part-year residents, income received while a resident, whether from sources inside or outside of Massachusetts, is taxable.

► Your entries must agree with the appropriate amounts on your copies of Forms W-2 and 1099, and/or required schedules for lines 8 and 9. Nonresidents, if your actual Massachusetts income is not known, see the Nonresident Apportionment Worksheet in line 13 and accompanying instructions. **Note:** You cannot apportion Massachusetts wages as shown on Form W-2.

5.6% Income

DOR and the IRS maintain an extensive exchange program, routinely sharing computer tapes and audit results. Discrepancies between income, deductions, and schedules reported federally and on this return, except those allowed under state law, will be identified and may result in a state audit or further investigation.

Note: If filing as both a nonresident and part-year resident, you must complete Schedule R/NR, Resident/Nonresident Worksheet, before proceeding.

5 Wages, Salaries, Tips, and Other Employee Compensation

Report in line 5 total state wages from Form(s) W-2. Enter the amount(s) stated as Massachusetts wages. **Note:** Part-year residents, income earned while a Massachusetts resident in another state is subject to taxation in Massachusetts. In most cases your total wages will be the same amount reported on your U.S. 1040 or 1040A, line 7; U.S. 1040EZ, line 1; U.S. 1040NR, line 8; or U.S. 1040NR-EZ, line 3 unless:

- you or your spouse earned income from employment outside Massachusetts (nonresidents only);
- you were a Massachusetts legal resident working in a foreign country (part-year residents only);
- you were a legal resident of Massachusetts for only a part of 2001; or
- you were a state or local employee and made contributions to a Massachusetts state or local pension plan.

Differences Between Wages for Massachusetts Tax Purposes and Those Reported on Your U.S. Return

► **Nonresidents earning a portion of income from employment outside Massachusetts.** If a portion of the wage income reported on your U.S. return was earned outside Massachusetts, the amount in line 5 should not include wages earned in another state or country.

► **Massachusetts legal residents working in a foreign country while a Massachusetts resident.** Income earned in a foreign country is subject to taxation in Massachusetts. If you excluded part or all of the compensation earned in a foreign country on your U.S. return (under sec. 911 of the U.S. IRC), you must include any such amount in line 5 for Massachusetts tax purposes.

► **Part-year residents of Massachusetts.** If you earned only a portion of the income you reported on your U.S. return while you were a Massachusetts legal resident, subtract from your U.S. wages the amount earned and received while you were legally domiciled in another state or country.

► **State or local employees contributing to pension plans.** If you are a Massachusetts state, city, town or county employee and contributed to your pension plan, enter in line 5 the Form W-2 state wage amount. This amount will be greater than the U.S. amount because your pension contributions are excluded from your income for U.S. tax purposes. Contributions up to \$2,000 may still be deducted in line 15a or 15b for Massachusetts tax purposes.

6 Taxable Pensions and Annuities

Nonresidents. Under Title 4 of the United States Code, section 114, payments to nonresidents from certain qualified pension plans are not subject to tax.

Qualified plans include: a qualified trust under IRC sec. 401(a) exempt from taxation under IRC sec. 501(a); simplified IRC sec. 408(k) plans; IRC sec. 403(a) annuity plans; IRC sec. 403(b) annuity contracts; IRC sec. 7701(a) (37) individual retirement plans; eligible deferred compensation plans of state and local governments and tax exempt organizations as defined by IRC sec. 457; IRC sec. 414(d) government plans; a trust or trusts described in IRC sec. 501(c) (18); and any plan, program or arrangement described in IRC sec. 3121(v)(2)(C) if payments are made at least annually and spread over the actuarial life expectancy of the beneficiaries, or if payments are spread over at least a ten-year period. Such income is also protected from state taxation if the plans are trusts under IRC sec. 401(a), but exceed limits laid down in IRC secs. 401(k), 401(m), 402(g), 403(b), 408(k) or 415 or any other limitation on contributions or benefits which may apply in the Code.

Retirement or retainer pay of a member or former member of a uniformed service computed under 10 U.S.C. chapter 71 (military pensions) received by a nonresident is also exempt.

Any income from pensions related to a Massachusetts trade, business or employment that is not derived from one of the qualified pension plans listed above is taxable. Enter in line 6 the portion of those pensions reported on your U.S. Form 1040, line 16a or U.S. Form 1040A, line 12a, that are taxable to Massachusetts nonresidents.

Part-year residents. Income from most private pensions or annuity plans is taxable in Massachusetts. You must report the taxable pension income you received while a resident of Massachusetts. Certain government pensions, however, are exempt under Massachusetts law. In general, exempt pensions include contributory pensions from the U.S. government or the Commonwealth of Massachusetts and its political subdivisions, and

noncontributory military pensions. The following section describes some specific pensions which are exempt. If your pension is not exempt, you should generally enter in line 6 the taxable amount reported on your U.S. Form 1040, line 16b or U.S. Form 1040A, line 12b. In some cases, however, Massachusetts law requires an adjustment to the federal amount. Distributions from annuity, stock bonus, pension, profit-sharing or deferred payment plans or contracts described in secs. 403(b) and 404 of the U.S. IRC must be adjusted to account for your contributions that have been previously taxed. Subtract from such income (as reported on your U.S. Form 1040, line 16a or U.S. Form 1040A, line 12a) the amount of your contributions which were previously taxed by Massachusetts until the total of your taxed contributions is received. If your pension falls into this category, enter the adjusted amount in line 6 and explain briefly (in an enclosed statement) why this amount is different than the amount reported on your U.S. return. If you are receiving distributions from an IRA or Keogh plan, do not report the income here; instead, please refer to the instructions for Schedule X on page 29.

What pensions are exempt?

- ▶ Pension income received from a contributory annuity, pension, endowment or retirement fund of the U.S. government or the Commonwealth of Massachusetts and its political subdivisions.
- ▶ Pensions from other states or its political subdivisions which do not tax such income from Massachusetts or its political subdivisions may be eligible to be deducted from Massachusetts taxable income. This pension income, however, should be reported in line 6. Refer to Schedule Y, line 6 instructions to determine eligibility for this deduction.
- ▶ Noncontributory pension income or survivorship benefits received from the U.S. uniformed services (Army, Navy, Marine Corps, Air Force, Coast Guard, commissioned corps of the Public Health Service and National Oceanic and Atmospheric Administration) is exempt from taxation in Massachusetts.
- ▶ Massachusetts state court judges who were appointed on or after January 2, 1975 are participants in the Massachusetts contributory retirement system and their pensions are nontaxable. State court judges who were appointed prior to January 2, 1975 receive taxable noncontributory pensions.

If you retired under Chapter 32, Sections 56–60 of Massachusetts General Laws and are a veteran who began Massachusetts state service prior to July 1, 1939, all or part of your pension income may be subject to tax. If you elected to receive your proceeds from contributions in one lump-sum distribution, your original contributions to the retirement system are not taxable. Noncontributory pension income received after a lump-sum distribution is fully taxable and should be reported in line 6.

How do I report lump-sum distributions?

If you were an employee of the U. S., Massachusetts or one of its political subdivisions and left public employment prior to retirement, you are not required to report as income the lump-sum distribution of your previous pension contributions.

Lump-sum distributions of qualified employee benefit plans in excess of the employee's contributions which were previously subject to Massachusetts tax (or not previously excluded from Massachusetts tax) must be reported in line 6. Generally, qualified rollovers are not taxable in Massachusetts to the extent they are not taxable on your U.S. return. Lump-sum distributions related to IRA/Keogh distributions should be reported on Schedule X, line 2.

Rollover from a Traditional IRA to a Roth IRA (Part-Year Residents Only). Taxpayers with \$100,000 or less in federal adjusted gross income are allowed to make partial or complete rollovers from existing IRAs to Roth IRAs. For rollovers completed in 1998, taxpayers are allowed to evenly spread the taxable portion over four tax years, starting with 1998. Any taxable portion of these rollovers included in federal gross income received while a resident of Massachusetts is also included in Massachusetts gross income, except for amounts previously subject to Massachusetts personal income tax. See Schedule X, line 2 instructions for further details.

Note: Massachusetts does not tax Social Security income, therefore, you should not report such income on Massachusetts Form 1-NR/PY.

7 Interest from Massachusetts Banks

Nonresidents. Interest income is only taxable if it is related to a Massachusetts trade, business, profession, partnership or S corporation, or to the ownership of real estate or tangible personal property located in Massachusetts.

Part-year residents. While a resident of Massachusetts, interest received from **any** savings banks, cooperative banks, national banks, trust companies, savings and loan associations or credit unions located in Massachusetts is taxable.

Nonresidents/part-year residents, report in line 7a such interest taxable by Massachusetts.

To report interest taxable to a nonresident/part-year resident from banks located in Massachusetts, enter in line 7a all amounts of interest received or credited to these deposit accounts (term and time deposits, including certificates of deposit, savings accounts, savings shares, and NOW accounts). Combine all accounts at the same bank. Enclose a statement listing names of all savings banks, cooperative banks, national banks, trust companies, savings & loan associations or credit unions in which you have deposit accounts. In line 7b, enter the exemption amount (\$200 if married filing a joint return; otherwise enter \$100) and subtract

12 Total 5.6% Income

Add lines 5 through 11 and enter the total in line 12. Remember to subtract any losses marked with an “X” when calculating the total.

Apportionment — Nonresidents Only

Sometimes your business or employment requires you to work both inside and outside Massachusetts, but you do not know the actual amount of income you earned from working in Massachusetts. In this case, you must apportion your income so that only the correct portion (the amount attributable to Massachusetts) will be taxed by Massachusetts. Some nonresidents must use the Nonresident Apportionment Worksheet in line 13 for this purpose.

Who Cannot Apportion Income?

If you know the actual amount of your Massachusetts source income, do not apportion. Report your income taxable in Massachusetts on your Massachusetts return. Examples of nonresidents who **cannot** apportion include:

- ▶ an employee whose actual Massachusetts income is shown on Form W-2;
- ▶ an employee whose Form W-2 does not indicate initially his/her actual Massachusetts income but whose employer issues a corrected Form W-2 or other statement which breaks down this amount. Since your employer is required by law to withhold Massachusetts tax on your Massachusetts wages, this breakdown will be easy to obtain; and
- ▶ a self-employed person whose actual Massachusetts income is known, such as a surgeon who comes to Massachusetts to perform a specific operation for a set fee.

In the few cases when your employer fails to issue a separate Form W-2 that includes only Massachusetts earnings, you may use the Nonresident Apportionment Worksheet to adjust your earnings.

Who Must Use the Nonresident Apportionment Worksheet?

If your employment or business took you both inside and outside Massachusetts and you do not know the actual amount of income you earned in Massachusetts, you must use the Nonresident Apportionment Worksheet if you are a self-employed person or employee who is on an hourly, daily, weekly, monthly or mileage basis, or whose compensation depends upon sales, at least some of which take place outside of Massachusetts.

Who Can Apportion Income but Cannot Use the Nonresident Apportionment Worksheet?

If you do not know the actual amount of income you earned in Massachusetts from one business or employment, but you do not fit into any of the categories listed in the preceding section, you should **not** use the Nonresident Apportionment Worksheet. See the section on “Special Apportionment Methods” for your apportionment method.

Examples of nonresidents who must apportion income using one of these special methods include:

- ▶ an independent business or professional person whose income does not depend on sales, days or mileage;
- ▶ an entertainer or athlete whose income does not depend solely on receipts or winnings;
- ▶ a general or limited partner in a partnership; and
- ▶ a shareholder of an S corporation with Massachusetts source income.

Apportionment Methods

If you use the Nonresident Apportionment Worksheet, fill in the oval for the appropriate basis and then follow the instructions. If you have more than one business or employment requiring the use of the worksheet, complete and enclose one worksheet for each business or employment.

- ▶ **Working days basis.** This basis should be used by employees or self-employed persons who qualify to use the Nonresident Apportionment Worksheet and who are compensated on an hourly, daily, weekly or monthly basis. The income of these taxpayers is to be allocated to Massachusetts in the proportion that the amount of time spent working in Massachusetts bears to the total working time.
- ▶ **Mileage basis.** An employee or self-employed person whose compensation depends on miles traveled is taxed on that portion of total compensation received in which the miles traveled within Massachusetts bear to total miles traveled.
- ▶ **Sales basis.** For an employee or self-employed person whose compensation depends upon sales or commissions, taxable income includes that portion of total compensation received which the sales made inside Massachusetts bear to total sales. (For the purposes of making this allocation, all sales for which the taxpayer takes orders inside Massachusetts are attributable to this state, regardless of whether the formal acceptance of the contract of sale takes place inside or outside Massachusetts.)

Special Apportionment Methods

If you earned income both inside and outside Massachusetts from one business or employment, and your actual Massachusetts income is not known and you cannot use the Nonresident Apportionment Worksheet in line 13, use the following appropriate apportionment method.

► **Self-employed and professional persons.** If you earned income from both inside and outside Massachusetts and your books do not accurately reflect your Massachusetts source income, you must use a three-factor formula to apportion your Massachusetts income. Instructions for this method of apportionment are in Massachusetts Regulation 830 CMR 62.5A.1.

► **Entertainers and professional athletes.** If you are a nonresident entertainer who performed in Massachusetts and you were not paid specifically for the performance in Massachusetts, or if you are a nonresident professional athlete who took part in performances, bouts, meets, matches or games that occurred in Massachusetts and you were not paid for the specific event played in Massachusetts, you must use the apportionment formula set forth in Massachusetts Regulation 830 CMR 62.5A.1.

► **Nonresident partners.** If you are a nonresident general or limited partner, you are taxed on your distributive share of the income received by the partnership to the extent that the partnership income is Massachusetts source income, determined as if the partnership were a nonresident individual. If you are entitled to apportionment, the partnership will apportion its income and notify you of your share.

► **Nonresident shareholders of an S corporation.** If you are a nonresident shareholder in an S corporation, you are taxed on the distributive share of income received by the S corporation to the extent that the S corporation income is Massachusetts source income. If you qualify for apportionment, the S corporation will apportion its income and notify you of your share.

13 Nonresident Apportionment Worksheet

13a. If your income is measured by working days, enter the number of days you worked outside Massachusetts.

13b. Enter the number of days you worked inside Massachusetts. (If you spent a working day partly inside and partly outside Massachusetts, treat the day as having been spent one-half inside the state.)

13c. Enter the total days worked both inside and outside Massachusetts (the sum of lines 13a and 13b).

13d. Enter your nonworking days. Your nonworking days are those days during the year (or during the period you worked, if your job lasted less than a year) that you were not required to work, such as Saturdays, Sundays, holidays, sick days, vacation and leave with or without pay. Complete the remainder of the Nonresident Apportionment Worksheet as indicated, and enter

your Massachusetts income from line 13g in the appropriate line on Form 1-NR/PY. For example, if you are apportioning your wages, enter the amount from line 13g in line 5.

If you are using the mileage or sales basis, substitute mileage or sales for working days and complete all items in the worksheet, except line 13d. Indicate what basis you are using by filling in the appropriate oval, and enter your Massachusetts income from line 13g in the appropriate line on Form 1-NR/PY.

Nonresident Deduction and Exemption Ratio

Since nonresidents are only taxed on income from Massachusetts sources, the deductions and exemptions allowed to them are limited by the amount of this income. This happens in two ways. The deductions in line 15 and Schedule Y, lines 1, 2, 4, 5 (certain amounts only — see Schedule Y, line 5 instructions) and 6 must be matched to specific items of income taxed on Form 1-NR/PY. Other deductions and all exemptions must be prorated by the ratio of a taxpayer's Massachusetts source income to his/her total income.

14 Nonresident Deduction and Exemption Ratio

All nonresident taxpayers must complete lines 14a to 14g to arrive at this ratio. The ratio will be used to determine what amounts, if any, you may deduct in lines 16 and 17; Schedule Y, line 3 (alimony paid deduction), Schedule Y, line 5 (student loan interest deduction, Archer medical savings account (MSA) deduction and the deduction for clean fuel vehicles), Schedule Y, line 7 (college tuition deduction), Schedule Y, line 8 (undergraduate student loan interest deduction), Schedule Y, line 9 (charitable contributions deduction); the amount of your exemptions in line 22a; and the earned income credit in line 42.

If married filing jointly, include in each line the income for both spouses. Enter any loss as "0."

14a. Enter in line 14a total 5.6% income from line 12.

14b. Enter in line 14b tax exempt Massachusetts bank interest from the smaller of line 7a or line 7b.

14c. Read the instructions for lines 24, 27 and 28. If these items apply to you, combine Schedule B, line 11 (but not less than "0") and Schedule D, line 12, columns A, B, C, D, E and F (but not less than "0"), and enter the total in line 14c. If there is no entry in Schedule B, line 11, enter the amount from Form 1-NR/PY, line 24.

14e. Enter in line 14e the total income from non-Massachusetts sources you received during the tax year covered by this return. This is the additional income that would have been reported by you if you had been a Massachusetts resident that you received

from non-Massachusetts sources. This amount is often not the same as the difference between your total U.S. income reported in line 3 and your Massachusetts source income reported in line 14d, due to the differences between Massachusetts and federal tax laws. **Note:** Be certain **not** to include any amounts already reported in line 14d.

To reconcile the two amounts, the following types of income included in the U.S. total income (Form 1-NR/PY, line 3), but not taxable in Massachusetts should be subtracted from the U.S. total before completing line 14e:

- ▶ Social Security and Tier I Railroad Retirement benefits;
- ▶ pensions from contributory retirement plans of the U.S., or Massachusetts and its political subdivisions;
- ▶ pension income from the U.S. military;
- ▶ U.S. bond interest;
- ▶ state tax refunds; and
- ▶ Keogh and 403(b) distributions related to contributions previously taxed by Massachusetts.

Income from the following categories which is not included in U.S. total income (Form 1-NR/PY, line 3) must be added back to calculate the total income that would be reported as Massachusetts income had the taxpayer been a Massachusetts resident in line 14e:

- ▶ bond interest from other states;
- ▶ up to \$70,000 in foreign-earned income;
- ▶ contributions to a pension plan by Massachusetts state or local employees; and
- ▶ net operating loss carryforward.

14f. Add line 14d and line 14e. If your total income in line 3 exceeds the amount reported in line 14f by more than 10%, you should enclose a statement explaining the reasons for the difference.

14g. Divide line 14d by line 14f. Carry this division out to four decimal places. Failure to do so may delay the processing of your return. Enter the result in line 14g. This is your ratio for deductions and exemptions. It represents the relationship of your Massachusetts source income to your total income.

Deductions

Lines 15 through 19

Massachusetts allowable deductions differ from "Itemized Deductions" on Schedule A of U.S. Form 1040. You may claim only the deductions specified on Massachusetts Form 1-NR/PY, lines 15 through 18 and Schedule Y.

15 Amount Paid to Social Security (FICA), Medicare, Railroad, U.S., Massachusetts Retirement Systems

Nonresidents, if as a condition of Massachusetts business or employment, you have paid into any of the retirement systems listed above during 2001, you may deduct those contributions, up to a maximum of \$2,000. **Part-year residents** may deduct contributions attributable to business or employment while a Massachusetts resident, up to a maximum of \$2,000.

Enter in lines 15a and 15b the amount you, and your spouse if filing jointly, paid to Social Security (FICA), Medicare or Railroad Retirement and the U.S. or Massachusetts Retirement Systems during 2001 as shown on your Form W-2 that is directly related to income taxable by Massachusetts included in line 12, but not more than \$2,000 each. Payment amounts may not be combined or transferred from one spouse to the other. Add items 15a and 15b and enter the result in line 15. Be sure to add any amount of Medicare tax withheld as shown on Form W-2 to the amount of Social Security tax withheld, the total not to exceed \$2,000 per person.

Medicare premiums deducted from your Social Security or retirement payments are **not** deductible.

Payments to an IRA, Keogh, Simplified Employee Pension plan (SEP) or Savings Incentive Match Plan for Employees (SIMPLE) Account are not deductible for Massachusetts income tax purposes.

Lines 16 and 17

Massachusetts law allows an option for deducting expenses related to dependent children. Please read instructions for both lines 16 and 17 to determine if you qualify and to decide which deduction is better for you. You cannot claim a deduction in both lines 16 and 17.

16 Child Under Age 13, or Disabled Dependent/Spouse Care Expenses

Massachusetts generally allows the same expenses as the U.S. Government for employment-related expenses for the care of a qualified child under the age of 13, a disabled dependent or a disabled spouse. Complete the worksheet on the next page in order to calculate your Massachusetts child or disabled dependent/spouse care expense deduction.

Note: Taxpayers who received dependent care benefits should complete a pro forma U.S. Form 2441 or U.S. Form 1040A, Schedule 2. When completing this pro forma form taxpayers should enter \$3,600 (or \$7,200 for two or more qualifying persons) in line 20 of U.S. Form 2441 or U.S. Form 1040A, Schedule 2. The amount from this pro forma Form 2441, line 24 or U.S. Form 1040A, Schedule 2, line 24 should then be entered in line 1 of the following worksheet.

- If you choose to take a deduction in line 16, you may not take the deduction in line 17.

Line 16 Worksheet — Child Under 13 or Disabled Dependent/Spouse Care Deduction

Use the following worksheet to calculate your Massachusetts child under age 13 or disabled dependent/spouse care deduction. Also, enclose U.S. Form 2441 or U.S. Form 1040A, Schedule 2.

Part-year residents, enter amounts paid while a Mass. resident.

1. Enter the amount of qualified expenses you incurred and paid in 2001 for a qualifying person(s). This amount may exceed the federal limit of \$2,400 for one qualifying person or \$4,800 for two or more persons. However, do not enter more than \$3,600 for one qualifying person or \$7,200 for two or more persons
2. Enter the amount from U.S. Form 2441, line 4, or U.S. Form 1040A, Schedule 2, line 4
3. Enter the amount from U.S. Form 2441, line 5, or U.S. Form 1040A, Schedule 2, line 5
4. Enter the smallest of line 1, 2 or 3
5. If you paid 2000 expenses in 2001, enter the amount of the allowed 2000 expenses used to compute the credit on U.S. Form 2441, line 9, or U.S. Form 1040A, Schedule 2, line 9. Otherwise, enter "0"
6. Add lines 4 and 5.
7. Part-year residents, enter here the amount from line 6 and in Form 1-NR/PY, line 16; nonresidents, multiply line 6 by Form 1-NR/PY, line 14g and enter the result here and in Form 1-NR/PY, line 16.

17 Dependent Member(s) of Household Under Age 12, or Dependents Age 65 or Over (not you or your spouse) as of December 31, 2001, or Disabled Dependent

You may deduct \$2,400 for a dependent member of household, or \$4,800 for two or more dependents, under age 12, or dependent age 65 or over (not you or your spouse) as of December 31, 2001, or disabled dependent. Only if single, head of household or married filing jointly. Enter the number of qualified dependents in line 17a, not to exceed two, and multiply that amount by \$2,400 and enter that result in the line provided.

- Nonresidents, multiply this amount by line 14g and enter the result in line 17 of Form 1-NR/PY. Part-year residents, multiply this amount by line 2 and enter the result in line 17 of Form 1-NR/PY.
- You may claim an amount in line 17 only if claiming "0" in line 16.

18 Rental Deduction

Nonresidents are allowed a deduction equal to 50% of the rent they pay, up to a maximum of \$3,000, for their principal residence only if it is located in Massachusetts and is their sole residence. (Non-Massachusetts rent is never deductible.) Many nonresidents rent a house or apartment in Massachusetts, but

few qualify for this deduction. This is because the house or apartment rented here is not their principal residence. Only those nonresidents who rented a house or apartment in Massachusetts and have no family home or other dwelling to which they normally return (or to which they could return in the future) in any other state or country, can claim this deduction. Complete line 18 only if you filled in the "no" oval below line 18. Enter the total amount of qualified rent paid by you during 2001 in line 18a. Divide line 18a by 2 and enter the result, **or \$3,000** (\$1,500 if married filing a separate return) — **whichever is smaller** — in line 18. **Part-year residents** are entitled to the rental deduction equal to 50% for the rent they paid during 2001 (up to a maximum of \$3,000 per return) for their principle residence while a resident of Massachusetts. Enter the total amount of qualified rent paid by you during 2001 in line 18a. Divide line 18a by 2 and enter the result, **or \$3,000** (\$1,500 if married filing a separate return) — **whichever is smaller** — in line 18.

How Do I Calculate My Rental Deduction If I Am Married Filing Separately?

If a husband and wife file separate returns, they are each entitled to a rental deduction equal to 50% of the rent each pays, not to exceed \$1,500 per return. However, a married couple filing separately may allocate the rent deduction differently, provided the amount taken by each spouse does not exceed 50% of the rent actually paid by that spouse, and provided their combined rental deductions do not exceed \$3,000. If the allocation results in one spouse claiming a deduction in excess of \$1,500, that spouse must enclose with his/her return a statement signed by the other spouse indicating consent to the allocation. The statement must contain the name, address and Social Security number of the consenting spouse and the amount of rental deduction taken by that spouse.

19 Other Deductions (from Schedule Y)

Allowable Employee Business Expenses, Penalty on Early Savings Withdrawal, Alimony Paid, Amounts Excludible Under MGL Ch. 41, Sec. 111F or U.S. Tax Treaty, Student Loan Interest Deduction, Medical Savings Account Deduction, Moving Expenses, Self-Employed Health Insurance Deduction, Certain Qualified Deductions From U.S. Form 1040, Deductible Amount of Qualified Contributory Pension Income from Another State or Political Subdivision, College Tuition Deduction, Undergraduate Student Loan Interest Deduction and Charitable Contributions Deduction

"Other deductions" include the items listed above and must be included on Schedule Y. Enter the total from Schedule Y, line 10. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return. See Schedule Y instructions on page 31.

22 Exemption Amount

Enter amount from Exemption Section, line 4, item f in line 22a.

Nonresidents. Prorate your exemptions using the ratio of your Massachusetts income to your total income by multiplying line 22a by line 14g and entering the result in line 22. This amount represents your prorated exemptions.

Part-year residents. Prorate your total exemptions claimed on Form 1-NR/PY by multiplying line 22a by line 2 and entering the result in line 22. This amount represents your prorated exemptions as a part-year resident.

23 5.6% Income After Exemptions

Subtract line 22 from line 21. Enter the result in line 23, but not less than "0."

If line 22 exceeds line 21 and you were the beneficiary of an estate or trust taxed in Massachusetts, or if you received interest income (other than interest from Massachusetts banks), dividends or capital gain income, read the following section and complete the worksheet for Schedule B, line 22 and Schedule D, line 19 on page 23, if applicable. All others proceed to line 24.

Applying Exemptions for the Beneficiary of an Estate or Trust Taxed in Massachusetts

If you are reporting income on Form 1-NR/PY and were also the beneficiary of an estate or trust, you may apply excess exemptions to your income taxed at 5.6% on Form 2, Massachusetts Fiduciary Income Tax Return. If you are single, head of household, or married filing jointly, you may then apply any remaining excess exemptions to your interest income (other than interest from Massachusetts banks), dividends or 12% capital gain income reported on Form 1-NR/PY. Any excess amount should then be applied against interest income (other than interest from Massachusetts banks), dividends or 12% capital gain income reported on Form 2 before applying any remaining excess amount against 5% income reported on Form 1-NR/PY. Any excess amount remaining should then be applied against 5% income reported on Form 2 before applying any remaining excess amount against 4% income reported on Form 1-NR/PY. Any excess amount remaining should then be applied against 4% income reported on Form 2 before applying any remaining excess amount against 3% income reported on Form 1-NR/PY. Any excess amount remaining should then be applied against 3% income reported on Form 2 before applying any remaining excess amount against 2% income reported on Form 1-NR/PY. Any excess amount remaining should then be applied against 2% income reported on Form 2 before applying any remaining excess amount against 1% income reported on Form 1-NR/PY. Any excess amount remaining should then be applied against 1% income reported on Form 2 before applying any remaining excess amount against 0% income reported on Form 1-NR/PY. Any ex-

cess amount still remaining should then be applied against 0% income reported on Form 2. You must complete and file with your Form 2 a copy of Form 20A, Beneficiary's Claim for Exemptions Applicable to Fiduciary Income, in order to apply the excess exemptions to your Form 2 income. Form 20A is included in the Form 2 booklet.

24 Interest and Dividend Income

If you have any interest income other than interest from deposits in banks located in Massachusetts, dividend income in excess of \$400, certain capital gains or losses, or any adjustments to interest income (other than interest from Massachusetts banks), you must complete Schedule B. Be sure to enclose Massachusetts Schedule B. To determine if you need to file Schedule B, refer to the Schedule B instructions beginning on page 37 of this booklet.

Enter in line 24 the amount from Schedule B, line 24. If not required to file Schedule B, enter dividend income of \$400 or less (from U.S. Form 1040 or 1040A, line 9) in line 24.

25 Total Taxable 5.6% Income

Add line 23 and line 24.

Tax on 5.6% Income

26 5.6% Tax

Based upon the amount in line 25, find the proper amount of tax from the table at the back of this booklet. Enter the tax in line 26. If line 25 is more than \$80,000, multiply the amount in line 25 by .056 and enter the result in line 26. You must use the tax table if line 25 is \$80,000 or less.

12% Income and Tax

27 12% Income from Certain Capital Gains

Enter in line 27a the amount from Schedule B, line 25. Multiply this amount by .12 (12%) and enter the tax in line 27. Be sure to enclose Massachusetts Schedule B. To determine if you need to file Schedule B, refer to the Schedule B instructions beginning on page 37 of this booklet.

Long-Term Capital Gain Tax

28 Schedule D (Long-Term Capital Gains and Losses Excluding Collectibles)

Enter in line 28 the amount from Schedule D, page 4, line 21, **but not less than "0."** Be sure to enclose all four pages of Mass-

achusetts Schedule D. To determine if you need to file Schedule D refer to the Schedule D instructions beginning on page 41 of this booklet.

Schedule B, Line 22 and Schedule D, Line 19 Worksheet — Exemptions from Interest and Dividend Income, 12% Income and Long-Term Capital Gain Income (Only if Single, Head of Household, or Married Filing Jointly)

If your total exemptions in line 22 are more than the amount of your 5.6% income after deductions in line 21, the excess may be applied against all your interest and dividend income and income taxed at 12%. Any remaining excess amount may then be applied against all your long-term capital gain income. (If you are the beneficiary of a Massachusetts trust or estate, see the instructions for line 23.) Complete the following worksheet only if line 21 is less than line 22 to determine if you qualify for the excess exemption. Enter all losses as "0."

1. Enter amount from Schedule B, line 21. Not less than "0".....
2. Enter amount from Form 1-NR/PY, line 22.....
3. Enter amount from Form 1-NR/PY, line 21.....
4. Subtract line 3 from line 2. If "0" or less, you do not qualify for this exemption. Omit remainder of worksheet.....
5. Excess exemptions applied against interest and dividend income and 12% income. If line 1 is larger than line 4, enter line 4 here and in Schedule B, line 22 and omit remainder of worksheet. If line 4 is equal to or larger than line 1, enter line 1 here and in Schedule B, line 22. Complete lines 6 through 8.....
6. Subtract line 5 from line 4. If "0" you have no remaining excess exemptions. Omit remainder of worksheet.....
7. Enter Schedule D, line 18, column A. Not less than "0".....
8. Excess exemptions applied against long-term capital gain income taxed at 5%. If line 7 is larger than line 6, enter line 6 here and in Schedule D, line 19, column A and omit remainder of worksheet. If line 6 is equal to or larger than line 7, enter line 7 here and in Schedule D, line 19, column A. Complete lines 9 through 11.....
9. Subtract line 8 from line 6. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.....
10. Enter Schedule D, line 18, column B. Not less than "0".....
11. Excess exemptions applied against long-term capital gain income taxed at 4%. If line 10 is larger than line 9, enter line 9 here and in Schedule D, line 19, column B and omit remainder of worksheet. If line 9 is equal to or larger than line 10, enter line 10 here and in Schedule D, line 19, column B. Complete lines 12 through 14.....
12. Subtract line 11 from line 9. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.....
13. Enter Schedule D, line 18, column C (from page 2). Not less than "0".....

Worksheet continues next column ...

... Continued from previous column

14. Excess exemptions applied against long-term capital gain income taxed at 3%. If line 13 is larger than line 12, enter line 12 here and in Schedule D, line 19, column C (on page 2) and omit remainder of worksheet. If line 12 is equal to or larger than line 13, enter line 13 here and in Schedule D, line 19, column C (on page 2). Complete lines 15 through 17.....
15. Subtract line 14 from line 12. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.....
16. Enter Schedule D, line 18, column D (from page 2). Not less than "0".....
17. Excess exemptions applied against long-term capital gain income taxed at 2%. If line 16 is larger than line 15, enter line 15 here and in Schedule D, line 19, column D (on page 2) and omit remainder of worksheet. If line 15 is equal to or larger than line 16, enter line 16 here and in Schedule D, line 19, column D (on page 2). Complete lines 18 through 20.....
18. Subtract line 17 from line 15. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.....
19. Enter Schedule D, line 18, column E (from page 3). Not less than "0".....
20. Excess exemptions applied against long-term capital gain income taxed at 1%. If line 19 is larger than line 18, enter line 18 here and in Schedule D, line 19, column E (on page 3). If line 18 is equal to or larger than line 19, enter line 19 here and in Schedule D, line 19, column E (on page 3). Complete lines 21 through 23.....
21. Subtract line 20 from line 18. If "0," you have no remaining excess exemptions. Omit remainder of worksheet.....
22. Enter Schedule D, line 18, column F (from page 3). Not less than "0".....
23. Excess exemptions applied against long-term capital gain income taxed at 0%. If line 22 is larger than line 21, enter line 21 here and in Schedule D, line 19, column F (on page 3). If line 21 is equal to or larger than line 22, enter line 22 here and in Schedule D, line 19, column F (on page 3).....

Excess Exemptions

If excess exemptions were used in calculating lines 24, 27 or 28 (see Schedule B, line 22 and/or Schedule D, line 19), be sure to fill in the oval in line 28.

29 Credit Recapture Amount

If any Brownfields Credit (BC) or Economic Opportunity Area Credit (EOA) property is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the credit taken and the total credit allowed for actual use must be added back to your tax on Form 1-NR/PY. Complete and enclose Schedule H-2, Credit Recapture. Schedule H-2 is available at www.mass.gov/dor or by calling (617) 887-MDOR.

Massachusetts AGI

College Tuition Deduction

If you paid tuition to a two- or four-year college for yourself or a dependent, you may be entitled to a deduction equal to the amount by which the tuition payment, less any scholarships, grants, or financial aid received, exceed 25% of line 8 of Schedule NTS-L-NR/PY. See Schedule Y, line 7.

No Tax Status — Single, Married Filing a Joint Return or Head of Household Only

If your Massachusetts Adjusted Gross Income (Massachusetts AGI) was \$8,000 or less if single, \$14,400 or less plus \$1,000 per dependent if head of household, or \$16,400 or less plus \$1,000 per dependent if married filing a joint return, you qualify for No Tax Status and are not required to pay any Massachusetts income taxes.

To see if you may qualify for No Tax Status, complete Schedule NTS-L-NR/PY found on the back of page 3 of Form 1-NR/PY. See Schedule NTS-L-NR/PY instructions.

Massachusetts Adjusted Gross Income for No Tax Status and Limited Income Credit

Massachusetts Adjusted Gross Income (Massachusetts AGI) is not the same as taxable income. Massachusetts AGI includes:

- ▶ wages, salaries, tips;
- ▶ taxable pensions and annuities;
- ▶ pension income from another state or political subdivision before any deduction;
- ▶ taxable IRA/Keogh and Roth IRA distributions;
- ▶ fees and unemployment compensation;
- ▶ income or loss from a business or profession;
- ▶ income or loss from partnerships, S corporations and trusts;
- ▶ rents, royalties and REMIC income;
- ▶ alimony and other 5.6% income;
- ▶ interest from Massachusetts banks before exemptions; and
- ▶ other interest, dividends, and capital gains.

30 No Tax Status

If you qualify for No Tax Status, fill in the oval in line 30, enter "0" in line 31 and omit lines 32–35. Also, enter "0" in line 36 and complete Form 1-NR/PY. However, if there is an amount entered in line 29, Credit Recapture Amount, enter that amount in line 31.

Note: If married filing separately you do not qualify for No Tax Status or the Limited Income Credit.

32 Limited Income Credit — Single, Married Filing a Joint Return or Head of Household Only

If you do not qualify for No Tax Status, but you are single and your Massachusetts AGI is between \$8,000 and \$14,000, or if you are filing as head of household and your Massachusetts AGI is between \$14,400 and \$25,200 plus \$1,750 per depen-

dent, or if you are married filing a joint return and your Massachusetts AGI is between \$16,400 and \$28,700 plus \$1,750 per dependent, you may qualify for the Limited Income Credit. This credit is an alternative tax calculation that can result in a significant tax reduction for people whose income is close to the No Tax Status threshold. Be sure to complete Schedule NTS-L-NR/PY on the back of page 3 of Form 1-NR/PY to see if you may qualify for this credit.

33 Other Credits (from Schedule Z, Part I)

Lead Paint Credit, Economic Opportunity Area Credit, Full Employment Credit, Septic Credit, Brownfields Credit and Low-Income Housing Credit

"Other credits" include the items listed above and must be included on Schedule Z, Part I. Nonresidents and part-year residents, enter the total from Schedule Z, line 1 on Form 1-NR/PY, line 33. Be sure to enclose Schedule Z with your return. Failure to do so will delay the processing of your return. See Schedule Z instructions on page 34.

34 Credits for Part-Year Residents Only (from Schedule Z, Part II)

Credit for Income Tax Paid to Another State or Jurisdiction and Energy Credit

"Credits for part-year residents only" include the items listed above and must be included on Schedule Z, Part 2. Part-year residents, enter the total from Schedule Z, line 2 on Form 1-NR/PY, line 34. Be sure to enclose Schedule Z with your return. Failure to do so will delay the processing of your return. See Schedule Z instructions on page 34.

37 Voluntary Contributions

You may contribute any amount to the following funds. Remember, these amounts are added to your tax. They increase the amount of your payment or reduce the amount of your refund.

a. Organ Transplant Fund: The Organ Transplant Fund is administered by the Massachusetts Department of Public Health. All contributions received by the Fund assist patients with the costs of medications without which they might lose their transplanted organs. Patients assisted by the Fund are not eligible for other forms of assistance.

b. Endangered Wildlife Conservation: The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Environmental Law Enforcement to provide conservation, protection and restoration of rare, endangered and nongame wildlife and plants in the Commonwealth.

c. Massachusetts AIDS Fund: The Massachusetts AIDS Fund is administered by the Massachusetts Department of Public Health. Contributions are used for research, experimental treatment and education related to Acquired Immune Deficiency Syndrome (AIDS). Massachusetts residents living with AIDS receive exper-

imental treatment through clinical trials which are wholly supported with this Fund. The Fund also educates people with AIDS about treatment options and how to gain access to medication and experimental treatment.

d. **Massachusetts United States Olympic Fund:** Contributions to this fund are used to assist Massachusetts residents in paying all or part of any costs associated with the development, maintenance and operation of the United States Olympic Team participating in the Olympics and the United States Paralympic Team participating in the Paralympics.

Add items a, b, c, and d and enter the total in line 37.

39 Massachusetts Income Tax Withheld

This represents all income taxes withheld for the Commonwealth of Massachusetts as indicated on your copies of Forms W-2, W-2G and certain 1099s, if applicable. Enter the total of all Massachusetts withholdings in line 39. Attach, with a single staple, state copies to your return; otherwise, your claim of amounts withheld will not be allowed. If you have lost any state copy, ask the payer for a duplicate. Copies of 1099s need only be attached if they show an amount for Massachusetts tax withheld.

40 2000 Overpayment Applied to Your 2001 Estimated Tax

Include the exact amount of any 2000 overpayment you applied to your 2001 estimated taxes. This amount can be found on your 2000 Massachusetts Form 1-NR/PY, line 43 or Form 1, line 38. Do not include any 2000 refund in this line.

41 2001 Massachusetts Estimated Tax Payments

If you paid Massachusetts estimated income taxes for 2001, enter in line 41 the total of all Massachusetts estimated tax payments, but do not include the amount entered in line 40. Be sure to include any last quarter (of 2001) payment made on or before January 15, 2002.

Every taxpayer (whether a resident or nonresident) who expects to pay more than \$200 in Massachusetts income taxes on income which is not covered by Massachusetts withholding must pay Massachusetts estimated taxes using Massachusetts Form 1-ES, Estimated Income Tax Vouchers. These forms are available at any Department of Revenue location or you may visit www.mass.gov/dor to obtain these forms online.

Income which is not subject to withholding includes:

- salaries or wages earned in Massachusetts where the employer is not subject to Massachusetts withholding;
- unemployment compensation (if you did not elect voluntary Massachusetts withholding);
- taxable REMIC income;

- dividends and interest, including interest from Massachusetts banks;
- gains from capital assets;
- income from an individual trade, business, profession, partnership or S corporation;
- income from any estate or trust not taxed directly;
- lottery or gambling winnings;
- certain pensions;
- rental income and royalty income;
- alimony received (**part-year** residents only);
- illegal income; and
- any other income received taxable in Massachusetts from which Massachusetts tax will **not** be withheld.

42 Earned Income Credit

Taxpayers who qualify for and claim the federal earned income credit are allowed a refundable credit equal to 15% of the federal amount. Enter in line 42a the federal earned income credit amount from your U.S. Form 1040, line 61a, 1040A, line 39a; 1040EZ, line 9a; or U.S. Telefile Tax Record, item L(2). Multiply this amount by .15 (15%) and enter the result in the line provided. **Nonresidents**, multiply this amount by line 14g; **part-year residents** multiply this amount by line 2. Enter the result in line 42. If you choose to have the IRS compute your federal earned income credit, wait until the IRS notifies you of that amount before making an entry in line 42. If you have not received your earned income credit amount as computed by the IRS by April 16, 2002, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. See page 3 for information about filing your extension by telephone or via the Web.

43 Senior Circuit Breaker Credit (Part-Year Residents Only)

Certain senior citizens in Massachusetts may be eligible to claim a refundable credit on their state income taxes for the real estate taxes paid on the Massachusetts residential property they own or rent and which they occupy as their principal residence. The maximum credit allowed is \$385 for the tax year beginning January 1, 2001. If the credit due the taxpayer exceeds the amount of the total income tax payable for the year by the taxpayer, the excess amount of the credit will be refunded to the taxpayer without interest. To determine if you qualify for this credit, refer to Schedule CB, Senior Circuit Breaker Credit and instructions. Schedule CB is available on DOR's website at www.mass.gov/dor or by calling (617) 887-MDOR, or toll-free in Massachusetts 1-800-392-6089.

If you qualify for this credit and you are a homeowner, enter the amount from Schedule CB, Circuit Breaker Credit, line 20; if you are a renter, enter the amount from line 24. Be sure to complete and enclose Schedule CB with your return.

44 Payments Made with Extension

If you filed an Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return, Massachusetts Form M-4868, for 2001 on or before April 16, 2002, enter in line 44 the amount you paid with Form M-4868. Enclose a copy of Massachusetts Form M-4868 with your return. If you are applying for an extension and either owe no tax or choose to pay your tax due by Mastercard, Visa, Discover or Novus brand card, you may file your extension by touch-tone telephone or via the Web (see page 3 for more information) or if you owe no tax, you may substitute U.S. Form 4868 for the Massachusetts extension form. Be sure to indicate on the form that this extension is for Massachusetts purposes.

Refund Amount

46 Overpayment

If line 38 is smaller than line 45, subtract line 38 from line 45 and enter the amount in line 46. This is the amount of your overpayment. If line 38 is larger than line 45, skip to line 49.

47 Amount of Overpayment You Want Applied to Your 2002 Massachusetts Estimated Taxes

Enter the amount of your 2001 overpayment you wish to apply to your 2002 Massachusetts estimated taxes. Once an election is made to apply your overpayment to your 2002 estimated tax, it cannot be refunded later or applied to any additional tax you may owe for 2001. The amount entered in this line can only be claimed as a credit on your 2002 Massachusetts return.

48 Refund Amount

Subtract line 47 from line 46. Enter the result in line 48. This is the amount of your refund.

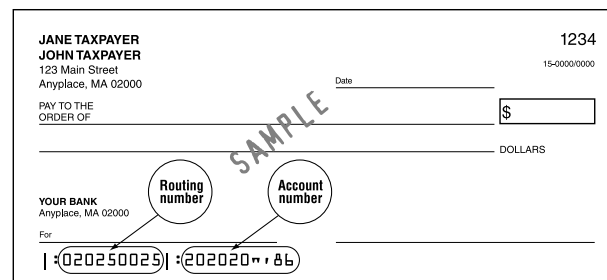
Direct Deposit

You may elect to have your refund deposited directly into your savings or checking account. Check with your financial institution to make sure that it accepts direct deposit and verify the routing transit number (RTN) of the issuing financial institution. If we are unable to honor your request for a direct deposit, a paper check will be sent to you.

The routing number of your financial institution is nine digits and begins with 01 through 12 or 21 through 32. The account number can be up to 17 characters (both numbers and letters). Omit hyphens, spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. You **must** enter the routing number and the account number in the spaces provided in line 48 if you are requesting direct deposit. Failure to

do so will result in your request for direct deposit being denied. See sample check below for location of this information.

Note: Only one direct deposit is allowed per account number.



Tax Due

49 Tax Due

If line 38 is larger than line 45, subtract line 45 from line 38, and enter the result in line 49. This is the amount of tax you owe with your return. Pay in full with your return. Make your check or money order payable to Commonwealth of Massachusetts and write your Social Security number on the front of your check or money order in the lower left corner. Complete and remove Form PV, Massachusetts Income Tax Payment Voucher, attached to the back of the "Payment Due" envelope found in this booklet. Staple the check to the front of Form PV and enclose Form PV with your return.

Failure to file or failure to pay the proper amount of tax when due will result in an increasing amount of interest and penalties. It is advantageous to file when your return is due even if you are unable to make full payment.

If you owe any interest, penalty or addition for the underpayment of estimated taxes, add those amounts to the tax you owe and enter the total amount in line 49.

What Are the Interest and Penalties?

Interest: If you fail to pay the tax when due, interest will be charged. For further information, see TIR 92-6 or call the Customer Service Bureau at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089.

Penalty for Late Payment: The penalty for late payment is $\frac{1}{2}\%$ of the tax due per month (or fraction thereof), up to a maximum of 25%.

Penalty for Failure to File: The penalty for failure to file a tax return by the due date is 1% of the tax due per month (or fraction thereof), up to a maximum of 25%. If you were required to file a tax return for income received in any prior year and you did not file, you must file for that prior year.

Penalty for Protested (“Bad”) Check: If your check is not honored by your bank because of insufficient funds or any other reason, a penalty may be added equal to 2% of the amount of the check or \$10, whichever is greater, but no more than the amount of the check.

Addition for Underpayment of Estimated Taxes: You will generally be subject to this addition to tax if you did not have withholding and/or estimated tax payments equal to 80% of the total tax liability required to be paid and your 2001 tax due after credits and withholding is greater than \$200. If you failed to meet this requirement, you must complete and attach Massachusetts Form M-2210 to calculate the amount you must add to line 49. The 80% requirement is reduced to 66⅔% for individuals who receive two-thirds of their income from fishing or farming.

Most taxpayers who qualify for an exception had either a tax due of \$200 or less or withholding and/or estimated payments equal to their tax liability for the previous year. If you qualify for an exception, fill in the oval marked “EX” under line 49 on Form 1-NR/PY and enclose Massachusetts Form M-2210. You do not have to complete Form M-2210 if the balance due with your return is \$200 or less. Form M-2210 is available by visiting www.mass.gov/dor or at any Massachusetts Department of Revenue location.

Penalty for Failure to Report Federal Changes: If the U.S. Internal Revenue Service changes your income for any prior year (generally through audit), file Massachusetts Form CA-6, Application for Abatement/Amended Return together with any required schedules or additional payments within one year of the final federal determination to avoid this penalty. This penalty is equal to the smaller of 10% of the additional tax due, or \$100. If the change indicates a refund, you must file Massachusetts Form CA-6 within one year, including acceptance of an amended federal return by the Internal Revenue Service.

Sign Here

Now that you have completed Form 1-NR/PY, sign your name. Your spouse must also sign if this is a joint return. Please note that the signature area is at the bottom of page 3 of Form 1-NR/PY. Write the date you signed the return.

Attach to your Form 1-NR/PY, with a single staple, all state copies of your Forms W-2, W-2G and any Forms 1099 which included Massachusetts withholding. If making a payment, be sure to staple your check or money order to the front of Form PV and enclose Form PV with your Form 1-NR/PY. Form PV is attached to the back of the “Payment Due” envelope found in this booklet. Make your check or money order payable to Commonwealth of Massachusetts, and be sure to sign the check and write your Social Security number on it. Be sure to include all three pages of Form 1-NR/PY. Also, enclose all required Massachusetts

forms and schedules. Please enclose schedules and forms first, followed by Massachusetts Form M-2210, then Massachusetts Form M-4868, if applicable. Do not staple your forms together.

Paid Preparer Must Sign Your Return

Generally, anyone you pay to prepare your return must sign it by hand in the space provided. Signature stamps or labels cannot be used. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.

Paid Preparer Authorization

If you want to allow the Massachusetts Department of Revenue (DOR) to discuss your 2001 tax return with the paid preparer who signed it, fill in the “Yes” oval in the signature area of the return. This authorization applies only to the individual whose signature appears in the “Paid Preparer” section of your return. It does not apply to the firm, if any, shown in that section.

If you fill in the “Yes” oval, you, and your spouse if filing a joint return, are authorizing DOR to call the paid preparer to answer any questions that may arise during the processing of your return. You are also authorizing the paid preparer to:

- ▶ give DOR any information that is missing from your return;
- ▶ call DOR for information about the processing of your return or the status of your refund or payment(s); and
- ▶ respond to certain DOR notices that you have shared with the preparer about math errors, offsets and return preparation. The notices will not be sent to the preparer.

You are not authorizing the paid preparer to receive any refund check, bind you to anything (including any additional tax liability), or otherwise represent you before DOR. If you want to expand the paid preparer’s authorization, see Form M-2848, Power of Attorney and Declaration of Representative.

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (without regard to extensions) for filing your 2002 tax return. This is April 15, 2003 for most people.

Mailing

If you are expecting a refund or if you have no tax due, use the orange envelope that came with this booklet. If you do not have one, mail Form 1-NR/PY to:

Massachusetts Department of Revenue
PO Box 7054
Boston, MA 02204

If you have a tax due, use the purple envelope that came with this booklet. If you do not have one, mail Form 1-NR/PY to:

Massachusetts Department of Revenue
PO Box 7003
Boston, MA 02204

Schedule Instructions

Note: Schedule lines without specific instructions are considered to be self-explanatory. Be sure to list on each schedule the name and Social Security number that appears first on Form 1-NR/PY. Do not cut or separate schedules.

Schedule NTS-L-NR/PY

Massachusetts Adjusted Gross Income for No Tax Status

Massachusetts Adjusted Gross Income (Massachusetts AGI) is not the same as taxable income. Massachusetts AGI includes all:

- wages, salaries, tips;
- taxable pensions and annuities;
- pension income from another state or jurisdiction before any deductions;
- taxable IRA/Keogh and Roth IRA distributions;
- fees and unemployment compensation;
- income or loss from a business or profession;
- income or loss from partnerships, S corporations and trusts;
- rents, royalties and REMIC income;
- alimony and other 5.6% income;
- interest from Massachusetts banks before exemption; and
- interest, dividends, and capital gains.

• The No Tax Status provision applies if your Massachusetts AGI on Schedule NTS-L-NR/PY (line 8) is \$8,000 or less if single; \$14,400 or less plus \$1,000 per dependent if head of household, or \$16,400 or less plus \$1,000 per dependent if married filing a joint return.

Note: If married, you must file a joint return in order to qualify for No Tax Status. For purposes of computing No Tax Status all losses must be entered as “0.”

7 Income Not Taxable by Massachusetts

Nonresidents, enter the amount from Form 1-NR/PY, line 14e. Part-year residents, enter income earned while a nonresident.

8 Massachusetts Adjusted Gross Income

If you paid tuition to a two- or four-year college for yourself or a dependent, you may be entitled to a deduction equal to the amount by which the tuition payments, less any scholarships, grants or financial aid received, exceed 25% of line 8. See Schedule Y, line 7 worksheet in instructions.

Add lines 3 through 7. If you are single and the total in line 8 is \$8,000 or less, you qualify for No Tax Status. Fill in the oval in Form 1-NR/PY, line 30, enter “0” in line 31 and omit lines 32–35. Also, enter “0” on line 36 and continue on Form 1-NR/PY. If you are single but do not qualify for No Tax Status and your total in line 8 is \$14,000 or less, go to line 11 to see if you qualify for the Limited Income Credit. If married filing jointly or head of household, go to line 9.

9 No Tax Status for Married Filing Jointly or Head of Household

If married and filing a joint return, multiply the number of dependents (from Form 1-NR/PY, line 4b) by \$1,000 and add \$16,400 to that amount. If head of household, multiply the number of dependents (from Form 1-NR/PY, line 4b) by \$1,000 and add \$14,400 to that amount. Enter the result here. If line 8 is less than or equal to line 9, you qualify for No Tax Status. Fill in the oval in Form 1-NR/PY, line 30, enter “0” in line 31 and omit lines 32–35. Also, enter “0” on line 36 and continue on Form 1-NR/PY.

10 Limited Income Credit Threshold

If you do not qualify for No Tax Status and you are married and filing a joint return, multiply the number of dependents (from Form 1-NR/PY, line 4b) by \$1,750 and add \$28,700 to that amount. If head of household, multiply the number of dependents (from Form 1-NR/PY line 4b) by \$1,750 and add \$25,200 to that amount. Enter the result here. If line 8 is less than or equal to line 10, you may qualify for the Limited Income Credit. Go to line 11.

11 No Tax Status Threshold

Enter \$8,000 if single. If married and filing a joint return or head of household, enter the amount from line 9.

15 Limited Income Credit

If line 13 is smaller than line 14, you are not eligible for this credit. If line 13 is larger than line 14, subtract line 14 from line 13, and enter the result here and in line 32 on Form 1-NR/PY.

Schedule F

Credit for Income Taxes Paid to Other Jurisdictions (for Part-Year Residents Only)

Income Tax Paid to Another State: If all or part of the income reported on this return is subject to taxation in another state or specified jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction, complete Schedule F to calculate the credit and enclose a copy of your return filed with another state or jurisdiction. Do not include taxes paid to the U.S. government. (This credit does not apply to city or local taxes.) You are allowed to claim a credit for taxes paid to the following jurisdictions: (a) other states in the United States; (b) any territory or dependency of the United States (including Puerto Rico, the Virgin Islands, Guam, the District of Columbia); or (c) the Dominion of Canada or any of its provinces (less any U.S. credit amount allowable from U.S. Form 1116).

Note: Canada is the only foreign country for which you may claim a tax credit for income tax paid to another state or jurisdiction on this schedule.

Schedule X

The total credit which you calculate on this schedule is the smaller of the amount of taxes due to other jurisdictions (net of certain adjustments) or the portion of your Mass. tax due on your gross income that is taxed in such other jurisdictions.

Credit is not given for a property tax due to another jurisdiction on account of capital stock or property. This does not refer to a tax on gain or income from the sale of capital stock or property, as included on Schedule B or D. Credit is also not given for any interest and penalties paid on a tax due to another jurisdiction.

You must complete separate schedules if you had 5.6% and interest income (other than interest from Massachusetts banks), dividends or capital gain income taxed by another jurisdiction. If you use this schedule to calculate a credit for interest income (other than interest from Massachusetts banks), dividends or capital gain income, substitute interest income (other than interest from Massachusetts banks), dividends or capital gain income for 5.6% income in line 1. You must also substitute Schedule B, line 11 (interest and dividend income and taxable 12% capital gains) or Schedule D, line 12, columns A, B, C, D, E and F (gross long-term capital gains and losses), but not less than "0," for Form 1-NR/PY, line 12 in line 2 of the schedule, and the total of Form 1-NR/PY, line 24 multiplied by .056 (tax on interest and dividend income) and Form 1-NR/PY, line 27 (12% tax) or line 28 (tax on long-term capital gains) for Form 1-NR/PY, line 23 in line 4 of the schedule.

Note: When using this schedule to calculate credit for interest income (other than interest from Mass. banks), dividends or capital gain income, enter in line 1 such income taxed in another jurisdiction calculated as if it was earned in Massachusetts.

1 Total 5.6% Income Taxed by Other Jurisdictions

Enter the total 5.6% income on which you paid taxes to another jurisdiction.

4 Massachusetts Tax on 5.6% Income

Multiply Form 1-NR/PY, line 23 by .056, less any Limited Income Credit from Form 1-NR/PY, line 32.

6 Income Tax Paid to Other Jurisdictions

Enter the total tax paid to other jurisdictions on income also reported on this return. The credit is limited to the amount of tax paid. If the tax was paid to Canada, the amount reported in this line must be reduced by the amount claimed as a foreign tax credit on U.S. Form 1040, line 43.

7 Allowable Credit

Enter the smaller of lines 5 or 6 here and on Schedule Z, line 2, and fill in the appropriate oval on Schedule Z, line 2.

Other Income

Be sure to enclose with Form 1-NR/PY.

1 Alimony Received (Part-Year Residents Only)

If you received alimony payments, you must report them as income in line 1 of Schedule X. Report the portion of all periodic payments of alimony or separate maintenance received under a court judgment or decree, or for excess alimony amounts recaptured, as reported on U.S. Form 1040, line 11, received while you were a Massachusetts resident. If you made alimony payments, you will be allowed to deduct these amounts on Form 1-NR/PY, line 19.

2 Taxable IRA/Keogh and Roth IRA Distributions (Part-Year Residents Only)

Complete the Schedule X, line 2 worksheet on the next page to calculate the taxable portion of any amount you received as an Individual Retirement Account (IRA), Keogh or Roth IRA distribution while a resident of Massachusetts, whether derived from sources inside or outside of Massachusetts. Since Massachusetts does not allow a deduction for amounts originally contributed to an IRA or Keogh, the distributions are not taxable until the full amount of your contributions which were previously subject to Massachusetts taxes are recovered.

► Contributions made to Keogh accounts prior to 1975 were deductible when made. Therefore, no deduction may be taken from a Keogh distribution for amounts contributed before 1975.

Massachusetts generally adopts the federal conversion rules for partial or complete rollovers from existing IRAs to Roth IRAs. Generally, the rollover amount is treated as a distribution and included in federal gross income to the extent it is attributable to investment growth or previously deducted contributions. In 1998 a special four-tax year averaging rule applied at the election of the taxpayer on their U.S. return, whereby the taxable portion of the 1998 rollover amount was included in gross income evenly over four taxable years beginning in 1998. This election applies for Massachusetts purposes; however, only the portion previously not subject to Massachusetts taxation will be included in Massachusetts gross income evenly over four tax years. When completing the worksheet, taxpayers who elected the special four-tax-year averaging rule should include on line 9 the fourth installment of the taxable 1998 rollover amount. See TIR 98-8, *Massachusetts 1998 Reducing Income Taxes Act*, for further details.

If you have Roth IRA distributions during the four-year-spread that are treated federally as an accelerated income inclusion (i.e., a greater proportion of the income is included in an earlier tax year), you must also treat the distribution as an accelerated income inclusion for Massachusetts purposes.

Example: Federally, you have \$800 of gross income from a 1998 Roth IRA conversion that is included evenly (\$200 each tax year) over four tax years. For Massachusetts purposes, you will include \$400 of gross income (\$100 each tax year), because \$400 of the 1998 Roth IRA conversion was attributed to contributions previously subject to Massachusetts taxation. In 1999 you received additional Roth IRA distributions that for federal tax purposes resulted in an accelerated income inclusion. For federal purposes the remaining three tax years will include \$300 in 1999, \$200 in 2000 and \$100 in 2001. For Massachusetts purposes, the remaining tax years will include \$150 in 1999, \$100 in 2000 and \$50 in 2001. In this example, the taxpayer would enter the \$50 taxable amount for tax year 2001 in line 9 of the worksheet below.

Schedule X, Line 2 Worksheet — Taxable IRA/Keogh Plan and Roth IRA Conversion Distributions

If completing the worksheet to report conventional IRA/Keogh distributions or Roth IRA conversion distributions, complete lines 1 through 5, omit lines 6 through 9 and complete line 10.

If completing the worksheet to report Roth IRA conversion distributions if four-year tax averaging was elected on your 1998 U.S. tax return, omit lines 1 through 5 and complete lines 6 through 10.

Note: *If during 2001 you received a distribution from a Roth IRA that was treated as an accelerated income inclusion for federal tax purposes, you must also treat the distribution as an accelerated income inclusion for Massachusetts purposes. See the example in the instructions for further details.*

If completing the worksheet to report conventional IRA/Keogh distributions, Roth IRA conversion distributions occurring in 2001 and Roth IRA conversion distributions if four-year tax averaging was elected on your 1998 U.S. tax return, complete lines 1 through 10.

Roth IRA distributions are taxable in Massachusetts to the extent they are federally taxable. Report taxable 2001 Roth IRA distributions on line 10.

Line 1. Total IRA/Keogh plan distributions, Roth IRA conversion distributions received during 2001.

Line 2. Total contributions previously taxed by Massachusetts

Line 3. Total distributions received in previous years.

Line 4. Subtract line 3 from line 2. If line 3 is larger than line 2, enter "0".

Line 5. Taxable IRA/Keogh distributions. Subtract line 4 from line 1 and enter the result here. Not less than "0".

Note: *Taxpayers who elected on their 1998 U.S. return four-tax year averaging for 1998 Roth IRA conversion distributions must complete lines 6–9 to report the fourth installment for tax year 2001.*

Worksheet continues next column . . .

... Continued from previous column

Line 6. Total 1998 Roth IRA conversion distributions if four-year tax averaging elected on 1998 U.S. tax return received during 1998

Line 7. Amount of contributions in line 6 that were previously taxed by Massachusetts

Line 8. Subtract line 7 from line 6. Not less than "0".

Line 9. 2001 taxable Roth IRA conversion distributions if four-year tax averaging elected on your 1998 U.S. tax return. Divide line 8 by 4.

Line 10. Total taxable IRA/Keogh distributions, 2001 Roth IRA conversion distributions, 2001 taxable Roth IRA distributions and the fourth installment of four-tax year averaging of 1998 Roth IRA conversion distributions. Add line 5 and line 9 and enter the result here and in line 2 on Schedule X

Note: You must complete separate worksheets if married filing a joint return and both you and your spouse received IRA/Keogh Plan and/or Roth IRA conversion distributions.

3 Massachusetts State Lottery Winnings

Enter in Schedule X, line 3 all winnings from the Massachusetts state lottery. Do not enter less than "0." You may only deduct the price of your winning ticket. Lottery losses are not deductible under Massachusetts law. Lottery losses claimed as itemized deductions on U.S. Form 1040, Schedule A are not allowed on your Massachusetts return.

4 Other Gambling Winnings

Enter in Schedule X, line 4 all gambling winnings from casinos, raffles, races, beano or other events of chance held in Massachusetts (part-year residents, whether held inside or outside of Massachusetts). Do not enter less than "0." You may only deduct the price of the winning ticket. Gambling losses are not deductible under Massachusetts law. Gambling losses claimed as itemized deductions on U.S. Form 1040, Schedule A are not allowed on your Massachusetts return.

5 Fees and Other 5.6% Income

"Other 5.6% income" includes the following items. Enter the amounts and sources of each item. **Do not enter less than "0."** Enclose additional statements if more space is needed.

► All fee income, such as payments for jury duty, election worker payments, director's fees, compensation received as executor or administrator of an estate, and commission income or tips not reported in line 5 of Form 1-NR/PY is taxable. Also, report all bartering income not reported on Schedule C (the fair market value of goods or services received in payment for your services).

► All prizes and awards won by a nonresident in a quiz program, drawing, beauty contest, etc. held in Massachusetts (part-year residents, whether held inside or outside of Massachusetts) are taxable at fair market value. Awards and bonuses received

from your employer for performance of services in Massachusetts (part-year residents, whether received from sources inside or outside of Massachusetts) are also taxable.

► Other 5.6% income from Massachusetts sources or received while a part-year resident, reported on U.S. Form 1040, line 21, and not reported elsewhere in “5.6% Income” section on Massachusetts Form 1-NR/PY, must be reported in line 5 of Schedule X.

► Pre-1996 installment sales classified as ordinary income for Massachusetts purposes are taxed as 5.6% income and must be reported on Schedule X, line 5.

► Embezzled or other income from illegal activities from Massachusetts sources or received while a part-year resident is taxable.

The following items should **not** be reported on your Massachusetts return:

► Any “net operating loss” reported as a negative amount on U.S. Form 1040, line 21 cannot be entered on Schedule X. A net operating loss from a business or profession cannot be carried forward or backward to offset individual income in any other year under Massachusetts law.

► Refunds of U.S. and Massachusetts income taxes are not considered income under Massachusetts law, including any 2001 U.S. Advance Payment check. If you received interest on refunds, report such interest on Massachusetts Schedule B.

6 Total

Add lines 1 through 5 and enter the total in line 6 of Schedule X and on line 11 of Form 1-NR/PY. Be sure to enclose Schedule X with your return. Failure to do so will delay the processing of your return.

Schedule Y

Other Deductions

Be sure to enclose with Form 1-NR/PY.

1 Allowable Employee Business Expenses

Generally, reimbursed employee business expenses are not included in your wages or salary and therefore are not allowed as deductions. However, there are unreimbursed and certain reimbursed expenses for which you are allowed a deduction. Complete the following worksheet in order to calculate your Massachusetts employee business expense deduction. The expenses must relate to income reported in lines 5 or 11 on Form 1-NR/PY.

Employees may deduct the following:

► unreimbursed travel and transportation expenses including lodging and meals away from home incurred by any employee; and

► all federally deductible unreimbursed employee business expenses, if the employee is a salesperson who solicits business for an employer away from the employer’s place of business.

Unreimbursed expenses are only deductible if all of the following conditions are met:

► you itemize deductions;

► if you filed a joint U.S. return, you must file a joint Massachusetts return; and

► your unreimbursed business expenses taken together with the other miscellaneous itemized deductions reported on U.S. Form 1040, Schedule A, lines 20, 21 and 22 exceed 2% of your federal adjusted gross income reported on U.S. Form 1040, Schedule A, line 25. See the Schedule Y, line 1 worksheet below.

If you are a qualified performing artist or a fee-basis state or local government official, do not complete the worksheet. Enter on Schedule Y, line 5 your federally deductible business expenses included on U.S. Form 1040, line 32 and fill in the appropriate oval in Schedule Y, line 5. On the dotted line next to line 5, be sure to indicate the type of deduction being taken, as identified on U.S. Form 1040, line 32. For example, qualified performing arts-related expenses should be identified as “QPA” and employee business expenses of fee-basis state or local government officials should be identified as “FBO.” Enclose U.S. Form 2106 or 2106-EZ with your return.

Schedule Y, Line 1 — Massachusetts Employee Business Expense Deduction Worksheet

1. Enter the amount from U.S. Form 2106, line 10, or 2106-EZ, line 6
2. If you are an employee other than an outside salesperson, add the amount of unreimbursed expenses included in U.S. Form 2106 or 2106-EZ, line 4 to the amount of unreimbursed meals and entertainment expenses included in U.S. Form 2106 or 2106-EZ, line 5, **except** for meals incurred while away from home. Enter the result here.
3. If you are an individual with a disability, enter the amount of impairment-related expenses included in line 1 and claimed on line 27 of U.S. Schedule A
4. Subtract lines 2 and 3 from line 1, and enter the result here.
5. Enter the amount from U.S. Schedule A, line 26
6. Enter the smaller amount of line 4 or 5 here and on Schedule Y, line 1

Be sure to enclose U.S. Form 2106 or 2106-EZ with your return.

2 Penalty on Early Savings Withdrawal

If you were charged a penalty because of early withdrawal of savings, and interest on the savings that such a penalty relates to is reported in line 7a or 24 of this return or on a prior year Massachusetts return, you may deduct the penalty. This deduction is the same as the amount allowable on U.S. Form 1040, line 30. Enter this amount in line 2 of Schedule Y.

3 Alimony Paid

This deduction includes only amounts paid by you to your former spouse during 2001 for alimony or separate maintenance under court decree, or for excess alimony amounts recaptured. Nonresidents, multiply the amount of alimony paid on your U.S. Form 1040, line 31a, by Form 1-NR/PY, line 14g to determine the amount you may claim against Massachusetts income. Enter the result in line 3. Part-year residents, enter the amount of alimony paid while a Massachusetts resident in line 3.

4 Amounts Excludible Under MGL Ch. 41, Sec. 111F or U.S. Tax Treaty Included in Form 1-NR/PY, Line 5.

Massachusetts allows an exclusion from income of amounts received by a firefighter or police officer incapacitated in the line of duty, per MGL Ch. 41, sec. 111F, and an exclusion from income of amounts received by qualifying students exempt under a U.S. tax treaty.

Enter any excludible amount of income received while you were a firefighter or police officer incapacitated in the line of duty in line 4 of Schedule Y that was included in Form 1-NR/PY, line 5, and fill in the appropriate oval. Be sure to enclose a statement from your employer.

If you were a qualifying student, enter any excludible amount of income received that was exempt under a U.S. tax treaty in line 4 of Schedule Y that was included in Form 1-NR/PY, line 5, and fill in the appropriate oval. Be sure to enclose U.S. Form 1042-S.

5 Other Qualified Deductions

You may claim **only** the following deductions for Schedule Y, line 5. If you are entitled to claim any of the deductions in line 5, fill in the appropriate ovals and enter the total amount in line 5.

► **Student Loan Interest Deduction:** Nonresidents, multiply the amount from U.S. Form 1040, line 24 or 1040A, line 17 (not to exceed \$2,500 for tax year 2001) by line 14g and fill in the appropriate oval in line 5 of Schedule Y. Part-year residents, multiply the amount from U.S. Form 1040, line 24 or 1040A, line 17 (not to exceed \$2,500 for tax year 2001) by line 2 and fill in the appropriate oval in line 5 of Schedule Y.

► **Archer Medical Savings Account (MSA) Deduction:** Nonresidents, multiply the amount from U.S. Form 1040, line 25 by line 14g, enclose U.S. Form 8853 and fill in the appropriate oval in

line 5 of Schedule Y. Part-year residents, multiply the amount from U.S. Form 1040, line 25 by line 2, enclose U.S. Form 8853 and fill in the appropriate oval in line 5 of Schedule Y.

► **Moving Expenses:** Nonresidents and part-year residents, enter the amount from U.S. Form 1040, line 26 that is related to Massachusetts employment, enclose U.S. Form 3903 and fill in the appropriate oval in line 5 of Schedule Y.

► **Self-Employed Health Insurance Deduction:** Due to differences between the Internal Revenue Code as amended and in effect as of January 1, 1998 and the current year, **only 50%** of the qualified insurance payments are deductible for Massachusetts purposes for the 2001 tax year. As a result, you must complete a pro forma version of the U.S. Self-Employed Health Insurance Deduction Worksheet (U.S. Form 1040 instructions) using .50 (50%) in line 2 of the worksheet. If you used the worksheet in IRS Pub. 535, you must complete a pro forma version using .50 (50%) in line 4 of the worksheet. Enter the result here and fill in the appropriate oval in line 5 of Schedule Y. Nonresidents and part-year residents, this amount must be related to Massachusetts employment.

► **Certain Qualified Deductions from U.S. Form 1040:** **Do not include** any amounts reported on U.S. Form 1040, lines 23 through 31a that are included in Form 1040, line 32 total. Enter **only** amounts included in U.S. Form 1040, line 32 as an adjustment, **except** amounts contributed to sec. 501(c)(18) pension plan and contributions by certain chaplains to sec. 403(b) plans. For Massachusetts purposes, contributions to sec. 501(c)(18) pension plans and contributions by certain chaplains to sec. 403(b) plans are not deductible. Nonresidents, if you are claiming a deduction for clean-fuel vehicles, multiply that amount by Form 1-NR/PY, line 14g; part-year residents, if you are claiming a deduction for clean-fuel vehicles, multiply that amount by Form 1-NR/PY, line 2. The following deductions may be claimed only if they are related to Massachusetts income as included in Form 1-NR/PY, line 12: qualified performing arts-related expenses; jury duty pay given to your employer; reforestation amortization; repayment of supplemental unemployment benefits under the Trade Act of 1974; employee business expenses of fee-basis state or local government officials; and deductible expenses related to income reported on U.S. Form 1040, line 21 and Massachusetts Schedule X, line 5 from the rental of personal property engaged in for profit. If you are entitled to claim any of these deductions, fill in the appropriate oval in line 5 of Schedule Y. On the dotted line next to line 5, be sure to indicate the type of deduction being taken, as identified on U.S. Form 1040, line 32. Identify qualified performing arts-related expenses as "QPA"; jury duty pay given to your employer as "Jury Pay"; reforestation amortization as "RFST"; repayment of supplemental unemployment benefits under the Trade Act of 1974 as "Sub-Pay TRA"; the deduction for clean-fuel vehicles as "Clean-Fuel";

employee business expenses of fee-basis state or local government officials as "FBO"; and deductible expenses related to income reported on U.S. Form 1040, line 21 and Massachusetts Schedule X, line 5 from the rental of personal property engaged in for profit as "PPR." Fill in the appropriate oval in line 5 of Schedule Y.

6 Deductible Qualified Contributory Pension Income from Another State or Political Subdivision Included in Form 1-NR/PY, Line 6

Massachusetts allows a deduction for contributory pension income received from another state or one of its political subdivisions which does not tax such income from Massachusetts or its political subdivisions. For guidelines to determine which state's pensions are exempt in Massachusetts, refer to Technical Information Release (TIR) 95-9. Enter any deductible amount of such income in line 6 of Schedule Y that was included in Form 1-NR/PY, line 6.

7 College Tuition Deduction

A deduction is allowed for tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college. The deduction is equal to the amount by which the tuition payments, less any scholarships, grants or financial aid received, exceed 25% of Massachusetts adjusted gross income. Complete Schedule NTS-L-NR/PY, found on the back of page 3 of Form 1-NR/PY, and the following Schedule Y, line 7 worksheet to see if you may qualify for this deduction. See Technical Information Release (TIR) 97-13 for more information.

Schedule Y, Line 7 Worksheet —College Tuition Deduction

Line 1. Enter total tuition payments paid by you, for yourself or a dependent, to a qualifying two- or four-year college in 2001

Line 2. Enter amount of scholarships, grants or financial aid received in 2001 for amounts shown in line 1

Line 3. Subtract line 2 from line 1. If "0" or less, you do not qualify for this deduction

Line 4. Enter amount from line 8 of Schedule NTS-L-NR/PY, No Tax Status and Limited Income Credit

Line 5. Multiply line 4 by .25.

Line 6. If line 3 is smaller than line 5, you are not eligible for this deduction. Enter "0." If line 3 is larger than line 5, subtract line 5 from line 3 and enter the result here

Line 7. Part-year residents, multiply line 6 by Form 1-NR/PY, line 2. Enter the result here and in line 7 on Schedule Y. Nonresidents, multiply line 6 by Form 1-NR/PY, line 14g. Enter the result here and in line 7 on Schedule Y.

8 Undergraduate Student Loan Interest Deduction

A deduction is allowed for interest paid on a qualified undergraduate student loan. To be eligible for the deduction, the "education debt" must be a loan that is administered by the financial aid office of a two-year or four-year college at which you, or a qualified dependent, were enrolled as an undergraduate student. Additionally, the loan must have been secured through a state student loan program, a federal student loan program, or a commercial lender, and must have been spent solely for the purposes of paying tuition and other expenses directly related to the school enrollment. Only if not claiming the same expenses in line 5 of Schedule Y, Student Loan Interest Deduction.

Nonresidents, multiply the amount of such interest paid by Form 1-NR/PY, line 14g and enter the result in Schedule Y, line 8. **Part-year residents**, multiply the amount of such interest paid by Form 1-NR/PY, line 2 and enter the result in Schedule Y, line 8.

9 Charitable Contributions

Massachusetts now allows a deduction for charitable contributions made during 2001. Amounts reported on U.S. Schedule A, line 17 are **not** allowed. Generally, taxpayers who itemize deductions on their federal income tax return should use the amount allowed on their federal return for the taxable year. Taxpayers who do not itemize on their federal income tax return must use the amount that would have been allowed on their federal income tax return for the taxable year if they had itemized. In order to be deductible, a contribution must meet all the requirements for deductibility of charitable contributions under Internal Revenue Code, section 170. Taxpayers must keep records to substantiate cash and non-cash charitable contributions.

Note: A taxpayer claiming a deduction on their Massachusetts return whose charitable contributions exceed the applicable federal limit should see DOR Directive 01-10, Deduction of Charitable Contributions for Taxpayers Whose Charitable Contributions Exceed Federal Deduction Limits.

► **If you itemized deductions on your U.S. return:** Enter in line 9a charitable contributions made by cash or check reported on U.S. Schedule A, line 15. Enter in line 9b charitable contributions made other than by cash or check reported on U.S. Schedule A, line 16. Enter the total of line 9a and line 9b in Schedule Y, line 9. Enclose U.S. Form 8283 if the amount in line 9b is over \$500.

► **If you did not itemize deductions on your U.S. return:** Enter in line 9a charitable contributions made by cash or check that would have been allowed on U.S. Schedule A, line 15. Enter in line 9b charitable contributions made other than by cash or check that would have been allowed on U.S. Schedule A, line 16. For further information on what is allowable as charitable deductions see the instructions for U.S. Form 1040, Schedule A.

Enter the total of line 9a and line 9b in Schedule Y, line 9. Complete and enclose a pro-forma U.S. Form 8283 if the amount in line 9b is over \$500.

Part-year residents, multiply the total of lines 9a and 9b by Form 1-NR/PY, line 2 and enter the result in line 9. **Nonresidents**, multiply the total of lines 9a and 9b by Form 1-NR/PY, line 14g and enter the result in line 9.

10 Total Other Deductions

Add lines 1 through 9 and enter the total in line 10 of Schedule Y and on line 19 of Form 1-NR/PY. Be sure to enclose Schedule Y with your return. Failure to do so will delay the processing of your return.

Schedule Z

Other Credits

Be sure to enclose with Form 1-NR/PY.

1 Part 1 Credits

► **Lead Paint:** If you incurred expenses for covering or removing lead paint on residential premises in Massachusetts, you may claim a credit for expenses up to \$1,500 for each residential unit. The basic rules are explained on Massachusetts Schedule LP, Credit for Removing or Covering Lead Paint on Residential Premises. If you qualify for the credit, complete and enclose Schedule LP and fill in the appropriate oval in Part 1.

► **Economic Opportunity Area Credit:** Massachusetts allows a credit equal to 5% of the cost of qualifying property purchased for business use within an Economic Opportunity Area (EOA). If you qualify for the credit, complete and enclose Schedule EOA and fill in the appropriate oval in Part 1.

► **Full Employment Credit:** Every employer who participates in the Full Employment Program and continues to employ a participant for at least one full month after any Full Employment Program subsidy for that participant has expired may claim the Full Employment Credit. A qualified employer may claim a credit equal to \$100 per month of eligible employment per participant, with a maximum credit of \$1,200 per participant. Qualified participants and employers are those who participate in the Full Employment Program under the rules of the Department of Transitional Assistance (DTA). A five-year carryover of any unused credit is allowed. If you qualify for this credit, complete and enclose Massachusetts Schedule FEC, Full Employment Credit, and fill in the appropriate oval in Part 1.

► **Septic Credit:** An owner of residential property located in Massachusetts who occupies the property as his or her principal residence is allowed a credit of a maximum of \$1,500 per taxable year for expenses incurred to comply with the sewer system requirements of Title V as promulgated by the Department of Environmental Protection or to connect to a municipal sewer system pursuant to a federal court order, administrative consent order, state court order, consent decree or similar mandate. The amount of the credit is 40% of the cost, up to \$15,000, for design and construction expenses for repair or replacement of a failed cesspool or septic system. The maximum aggregate amount of the credit is \$6,000. A five-year carryover of any unused credit is allowed. See TIRs 97-12, 98-8, 99-5 and DOR Directive 01-6 for more information. If you qualify for this credit, complete and enclose Massachusetts Schedule SC, Septic Credit, and fill in the appropriate oval in Part 1.

► **Brownfields Credit:** Effective for tax years beginning on or after January 1, 1999, taxpayers are allowed a credit for amounts expended to rehabilitate contaminated property owned or leased for business purposes and located within an economically distressed area. In general, the credit is 25% or 50% of certain environmental response and removal costs incurred between August 1, 1998, and January 1, 2007, provided that the taxpayer commences and diligently pursues an environmental response action before August 5, 2003. The credit that may be taken in any taxable year is limited to 50% of the taxpayer's tax liability. A five-year carryforward of unused credit is allowed, provided the taxpayer continues to maintain the remedies required by law. For more information, see TIRs 99-13 and 00-9.

► **Low-Income Housing Credit:** A new low-income housing credit is available to individual taxpayers. The Department of Housing and Community Development will allocate the low-income housing credit from a pool of available credits granted under section 42 of the Internal Revenue Code among qualified low income housing projects. A taxpayer allocated a federal low-income housing credit may also be eligible for a state credit based on the credit amount allocated to a low-income housing project that the taxpayer owns. A five-year carryforward of unused credit is allowed. See TIR 99-19 for more information. If you qualify for the credit, be sure to enclose a copy of the eligibility statement issued by the Department of Housing and Community Development and fill in the appropriate oval in Part 1.

Nonresidents and part-year residents, enter the total amount of all credits claimed in Part 1 in Schedule Z, line 1 and enter line 1 total on Form 1-NR/PY, line 33. Part-year residents, complete line 2, if applicable.

2 Part 2 Credits for Residents and Part-Year Residents Only

► **Income Tax Paid to Another State:** If any of the income reported on this return is subject to taxation in another state or jurisdiction and you have filed a return and paid taxes in the other state or jurisdiction, complete Schedule F on the back of page 3 of Form 1-NR/PY to calculate the credit. See Schedule F instructions. Be sure to enclose a copy of your return filed with another state or jurisdiction and fill in the appropriate oval in Part 2.

► **Energy:** If you had expenditures for certain renewable energy source items, such as equipment which uses or transmits solar or wind energy to heat, cool, or provide hot water for your principal residence in Massachusetts, you may qualify for a credit. Massachusetts does not allow a credit for expenditures on items such as: insulation, storm or thermal windows or doors, caulking, weather-stripping, heat pumps (air and water), wood burning stoves or furnaces, and costs for energy conservation. If you qualify for the credit, complete and enclose Massachusetts Schedule EC, Residential Energy Credit, and fill in the appropriate oval in Part 2.

Part-year residents, enter the total amount of the credits claimed in Part 2 in Schedule Z, line 2 and enter line 2 total on Form 1-NR/PY, line 34.

Schedule E, Part I

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Rental, Royalty and REMIC Income or Loss

2 Massachusetts Differences

Enter and explain any amounts or differences included in line 1 which are not taxable to you in Massachusetts or which have already been taxed on a Massachusetts return. Explain the differences in the space provided or attach an additional sheet if necessary. Possible differences include:

Nonresidents. Enter any rental, royalty or REMIC income or losses included in line 1 which is not Massachusetts source income and thus not taxable to you as a nonresident. Massachusetts source rental income must be from real or tangible personal property located in Massachusetts.

Part-year residents. Enter any rental, royalty or REMIC income or losses included in line 1 you received while you were not a resident of Massachusetts.

Trust Provisions

Enter any rental or royalty income or losses shown on your U.S. return that is taxed on a Massachusetts Fiduciary Return, Form 2.

Deductible Royalties from U.S. Energy Conservation Patents

Enter any income you received from U.S. patents that are approved by the Massachusetts Division of Energy Resources as being useful for energy conservation or for alternative energy development. Request approval from the Division of Energy Resources, Attention: General Counsel, 70 Franklin St., 7th Floor, Boston, MA 02110, or call (617) 727-4732. Enclose a copy of such approval to your tax return. If such approved income is other than royalty income, use the applicable schedule and explain.

Passive Losses

As a result of differences in U.S. and Massachusetts rules in 1987, the calculations you made for passive losses on your 1987 U.S. and Massachusetts returns may have differed. Differences in amounts reported in 1987 for U.S. and Massachusetts tax purposes should be adjusted when the property is disposed of or the deduction is used up. In addition, passive losses allowed for Massachusetts tax purposes in 1987, but carried over for U.S. tax purposes, cannot be used again for Massachusetts tax purposes when such carryover losses are eventually allowed for U.S. tax purposes.

To the extent there are applicable adjustments for Massachusetts differences, taxpayers must calculate allowable losses on a pro forma U.S. Form 8582, Passive Activity Loss Limitations.

4 Abandoned Building Renovation Deduction

In line 4 enter 10% of the costs of renovating a qualifying abandoned building in an Economic Opportunity Area. Enclose a statement detailing the location and cost of renovating the qualifying abandoned building. For further information, contact the Massachusetts Office of Business Development, 10 Park Plaza, Suite 3720, Boston, MA 02116 or call (617) 973-8600.

5 Total Rental and Royalty Income or Loss for Massachusetts

Subtract line 4 from line 3. Remember to subtract losses when calculating the total. Line 5 should be added to any amounts in Schedule E, Part II, line 8 and/or Part III, line 11 and the total entered on Form 1-NR/PY, line 9.

Schedule E, Part II

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Income or Loss from Partnerships and S Corporations

2 Massachusetts Differences

Enter and explain any differences between total partnership and S corporation income on the U.S. return and the same type of income on your Massachusetts return. Enclose an additional statement, if necessary. Refer back to Schedule E, Part I, line 2 instructions for further guidance. If you use information from Massachusetts Schedule 3K-1 or Schedule SK-1, take care not to duplicate adjustments already made for differences in U.S. and Massachusetts tax treatments.

Nonresidents. Income or loss included in U.S. Schedule E, Part II, line 31, which is derived from partnerships or S corporations not doing business in Massachusetts is not taxable to you as a nonresident. Also, enter adjustments as differences if your partnerships or S corporations are entitled to apportion income in Massachusetts.

Part-year residents. Income or loss from partnerships or S corporations you received while you were not a resident of Massachusetts is not taxable to you as a part-year resident.

4 Abandoned Building Renovation Deduction

In line 4 enter 10% of the costs of renovating a qualifying abandoned building. Enclose a statement detailing the location and cost of renovating the qualifying abandoned building. For further information, refer to the instructions for Schedule E, Part I, line 4.

6 12% Interest and Dividends

Enter 12% interest and dividends from trade or business activity(ies) if included in line 5 from partnerships and S corporations. This income must be entered in Massachusetts Schedule B, line 3. This information should be provided by the partnership or S corporation.

7 Interest from Massachusetts Banks

Enter interest from Massachusetts banks from trade or business activity(ies) if reported in line 5. This income must be reported on Form 1-NR/PY, line 7a. This information should be provided by the partnership or S corporation.

8 Total Income or Loss from Partnerships and S Corporations

Subtract the total of lines 6 and 7 from line 5. Remember to subtract losses when calculating the total. Line 8 should be added to any amounts in Schedule E, Part I, line 5 and/or Part III, line 11 and the total entered on Form 1-NR/PY, line 9.

Schedule E, Part III

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Income or Loss from Grantor-Type Trusts and Non-Massachusetts Estates and Trusts

2 Massachusetts Differences

Enter and explain any differences between estate and trust income or loss on the U.S. return and the same type of income on your Massachusetts return. Refer to Schedule E, Part I, line 2 instructions for further guidance.

4 Abandoned Building Renovation Deduction

In line 4 enter 10% of the costs of renovating a qualifying abandoned building. Enclose a statement detailing the location and cost of renovating the building. For further information, refer to the instructions for Schedule E, Part I, line 4.

6 Estate or Nongrantor-Type Trust Income

Enter estate or nongrantor-type trust income taxed directly on your Massachusetts Fiduciary Return, Form 2, if included in line 5. If you do not know this amount, check either your U.S. Schedule K-1 or contact your trustee or other fiduciary.

7 Massachusetts Taxable Income from Estates or Trusts Not Previously Taxed

Subtract line 6 from line 5. Generally, for nonresidents, the only amount entered in line 5 will be the income from grantor-type trusts. Other Massachusetts source income should be taxed at the estate or trust level.

8 12% Interest and Dividends

Enter any 12% interest and dividends if included in line 7 and enter on Massachusetts Schedule B, line 3.

9 Adjustment of 5.6% Income

Enter the total of interest from Massachusetts banks if included in line 7. This income must be reported on Form 1-NR/PY, line 7a. Enter the total of pension and annuity income if included in line 7. This income must be reported on Form 1-NR/PY, line 6.

11 Income or Loss from Grantor-Type and Non-Massachusetts Estates and Trusts

Subtract line 10 from line 7. Remember to subtract losses when calculating the total. Line 11 should be added to any amount(s) in Schedule E, Part I, line 5 and/or Part II, line 8 and the total entered on Form 1-NR/PY, line 9.

Schedule B

Note: If showing a loss, be sure to mark over the “X” in the box to the left.

12% Interest, Dividend and Certain Capital Gains and Losses

Nonresidents and part-year residents must file Massachusetts Schedule B if you had:

- ▶ dividend income in excess of \$400;
- ▶ any interest income other than from Massachusetts banks taxed at 5.6%;
- ▶ short-term capital gains or losses;
- ▶ carryover short-term losses from prior years;
- ▶ long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes;
- ▶ gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business;
- ▶ net long-term capital gains and losses; or
- ▶ excess exemptions.

Collectibles are defined as any capital asset that is a collectible within the meaning of Internal Revenue Code section 408(m), as amended and in effect for the taxable year, including works of art, rugs, antiques, metals, gems, stamps, alcoholic beverages, certain coins, and any other items treated as collectibles for federal tax purposes.

Nonresidents, interest and dividends are from Massachusetts sources if they are directly connected with your business activity in Massachusetts. Also, report on Massachusetts Schedule B the short-term gain or loss realized from the transaction of assets being sold or exchanged which are considered to be from Massachusetts sources. Massachusetts source assets are (1) real or tangible personal property located in Massachusetts and (2) property connected with a Massachusetts trade, business or employment.

Nonresidents need not file Massachusetts Schedule B if:

- ▶ all your interest and dividend income and certain capital gains was from non-Massachusetts sources;
- ▶ all Massachusetts source interest income you had was from Massachusetts banks and is taxed at 5.6% (reportable on Form 1-NR/PY, line 7a); or
- ▶ your Massachusetts source gross dividend income was \$400 or less (reportable on Form 1-NR/PY, line 24).

Part-year residents, dividend income in excess of \$400 or any interest income other than from Massachusetts banks (reportable on Form 1-NR/PY, line 7a) received while you were a resident of Massachusetts, whether received from sources inside or outside of Massachusetts, must be reported on Massachusetts Schedule B. Also, short-term gains or losses realized while you were a resident of Massachusetts, whether received

from sources inside or outside of Massachusetts, from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return must be reported on Schedule B. Include gains from all property, wherever located.

Part-year residents need not file Massachusetts Schedule B if all interest income you had that is taxable by Massachusetts was from Massachusetts banks (reportable on Form 1-NR/PY, line 7a), and your gross dividend income was \$400 or less (reportable on Form 1-NR/PY, line 24), and you have no short-term capital gains or losses, long-term gains on collectibles and pre-1996 installment sales, gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business, allowable deductions from your trade or business, carryover short-term losses from prior years, net long-term capital gains or losses, or excess exemptions.

▶ Nonresidents and part-year residents must complete Massachusetts Schedule B if your interest or dividend income includes: dividends taxed directly to trusts or estates on a Massachusetts Fiduciary Return, Form 2; distributions that are returns of capital; or exempt portions of any interest or dividends from a mutual fund or dividends from current earnings of a corporate trust that are taxed directly on a Massachusetts Corporate Trust Return, Form 3F.

▶ You need not complete Schedule B, Part 2 if you do not have any of the following: short-term capital gains or losses; carryover short-term losses from prior years; long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes; gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less; allowable deductions from your trade or business; net long-term capital gains or losses; or excess exemptions (see line 7 instructions).

Part 1. 12% Interest and Dividend Income

1 Total Interest Income

Enter your total interest income from your U.S. Form 1040 or 1040A, lines 8a and 8b, U.S. Form 1040EZ, line 2, or U.S. Telephone Tax Record, item C.

2 Total Ordinary Dividends

Enter your total ordinary dividends from your U.S. Schedule B, Part II, line 6 (Form 1040) or U.S. Schedule 1, Part II, line 6 (Form 1040A). If you did not file U.S. Schedule B or U.S. Schedule 1, enter the amount from U.S. Form 1040 or 1040A, line 9.

3 Other Interest and Dividends

Enter the following amounts and their sources (enclose additional statement if more space is necessary):

- ▶ Interest from obligations of other states and their political subdivisions (including your share, if any, from a partnership, an S corporation and a grantor-type trust or non-Massachusetts trust). Do not include exempt interest already included in line 1;
- ▶ Taxable distributions from Massachusetts S corporations not reported in Schedule B, line 2. Distributions in excess of the Massachusetts accumulated adjustments account are dividends to the extent of the corporation's Massachusetts accumulated earnings and profits. For more information, see Regulation 830 CMR 62.17A.1;
- ▶ Interest and dividends from a partnership, S corporation, grantor-type trust, or non-Massachusetts estate or trust from Massachusetts Schedule E. Generally, portfolio interest and dividend income from partnerships and S corporations should already be included in the Schedule B, line 1 and line 2 amounts;
- ▶ Interest from a trade or business that is reported on Massachusetts Schedule C, line 32; or
- ▶ Interest or dividends from a mutual fund, if such distributions are not included in line 1 or line 2. See line 6.

Lines 5 and 6

Enter only amounts related to income that you have already included in lines 1, 2, and 3.

5 Total Interest from Massachusetts Banks

Enter the total interest included in Form 1-NR/PY, line 7a (prior to the exemption amount being subtracted) only if it has been included in lines 1 or 3 of this schedule.

6 Other Interest and Dividends to Be Excluded

Enter the total interest and dividends from the following sources (enclose an additional statement, if necessary):

- ▶ Interest on U.S. debt obligations. Enter interest received on U.S. treasury bills, notes and bonds, savings bonds or other obligations of the United States, including its territories or dependencies. Such interest is tax-exempt in Massachusetts. For further information concerning exempt obligations of the United States, refer to TIR 89-8;
- ▶ Interest and dividends taxed directly to Massachusetts estates and trusts. Enter the interest and dividends that are taxed directly to a Massachusetts estate or trust (reportable on a Massachusetts Fiduciary Return, Form 2);
- ▶ Any distribution which is a return of capital included in total gross dividends, line 2;
- ▶ Any exempt portion of interest or dividends from a mutual fund included in lines 1, 2 or 3 of this schedule. Enter only the exempt portion of interest or dividends derived from obligations of Massachusetts or its political subdivisions;

- ▶ Any interest or dividends from obligations of the Commonwealth of Massachusetts or its political subdivisions held by you;
- ▶ Any dividends from current earnings of a corporate trust only if such entity is taxed directly on a Massachusetts Corporate Trust Return, Massachusetts Form 3F; or
- ▶ Any interest on pre-retirement distributions from state and municipal contributory pension plans;
- ▶ **Nonresidents.** Any amounts included in lines 1, 2 and 3 which you received from sources other than Massachusetts; or
- ▶ **Part-year residents.** Any amounts included in lines 1, 2 or 3 which you received while legally domiciled in another state or country.

Do not enter in line 6 either of the following:

- ▶ Dividends from the earnings and profits accumulated prior to January 1, 1971 by any corporate trust which was not taxed directly by Massachusetts in prior years, even though such an entity is taxed directly now (obtain from the entity the taxable status of dividends paid to you); or
- ▶ Dividends from any corporate trust which is not taxed directly by Massachusetts. Such entities include: those not doing business in Massachusetts; regulated investment companies or real estate investment trusts (both as defined under the U.S. Internal Revenue Code, Sections 851 and 856); holding companies (as defined in Massachusetts General Laws, Chapter 62, section 8); or those which derive less than 10% of their income from business activities or transactions in Massachusetts.

7 Subtotal Interest and Dividend Income

Subtract the total of lines 5 and 6 from line 4. If you have no short-term capital gains or losses, carryover short-term losses from prior years, long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes, gains or losses from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less, allowable deductions from your trade or business, net long-term capital losses, or excess exemptions, omit lines 8–23. Enter the amount from line 7 in line 24 of Schedule B and on Form 1-NR/PY, line 24 and omit lines 25 and 26 of Schedule B. Otherwise, complete Parts 2 and 3.

Part 2. Short-Term Capital Gains and Losses and Long-Term Gains on Collectibles and Pre-1996 Installment Sales

If there are any differences between U.S. and Massachusetts amounts reported in lines 8, 9, 10, 14 and 15, be sure to enter the Massachusetts amount and enclose a statement that includes the line number and an explanation of the differences. Possible differences include:

► Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and

► Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws.

► **Nonresidents.** Any short-term capital gains and losses and long-term gains on collectibles which are not Massachusetts source income are not taxable to you as a nonresident and should not be reported in lines 8, 9, 10, 14 and 15. A nonresident's short-term capital gains and losses and gains on the sale of collectibles and pre-1996 installment sales are subject to tax if the gain or loss resulted from the sale or exchange of property connected with a Massachusetts trade or business or from the ownership of real or tangible personal property located in Massachusetts.

► **Part-year residents.** Any short-term capital gains and losses and long-term gains on collectibles that occurred while you were legally domiciled in another state or country during the taxable year are not taxable and should not be reported in lines 8, 9, 10, 14 and 15.

8 Short-Term Capital Gains

Enter the gross short-term capital gains included in U.S. Schedule D, lines 1, 2, 4 and 5, column (f).

9 Long-Term Capital Gains on Collectibles and Pre-1996 Installment Sales

Enter the amount of long-term capital gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes, from Massachusetts Schedule D, line 11, columns A, B, C, D, E and F.

10 Gain on Sale of Business Property

Enter from U.S. Form 4797 the amount of gain from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less. Be sure to enclose U.S. Form 4797 with your return.

12 Allowable Deductions From Your Trade or Business

Enter the amount from Massachusetts Schedule C-2, line 10 if you qualify for an excess trade or business deduction. Generally, taxpayers may not use excess 5.6% deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.6% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effec-

tively connected with the active conduct of a trade or business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2 with your return.

14 Short-Term Capital Losses

Enter the gross short-term capital losses included in U.S. Schedule D, lines 1, 2, 4 and 5, column (f).

15 Loss on Sale of Business Property

Enter from U.S. Form 4797 the amount of loss from the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less. Be sure to enclose U.S. Form 4797 with your return.

16 Prior Years Short-Term Unused Losses

You may use short-term losses accumulated in the previous taxable years beginning after 1981 in the computation of short-term gain or loss for the current year. Enter here the amount from your 2000 Massachusetts Schedule B, line 26.

Note: A nonresident or part-year resident of Massachusetts who has unused losses from previous years that were not from Massachusetts sources or were not received while a Massachusetts resident may not use such losses.

17 Subtotal Interest and Dividends and Certain Capital Gains and Losses

Combine lines 13, 14, 15 and 16. If Schedule B, line 17 is a loss and all amounts in Schedule D, line 14, columns A, B, C, D, E or F are "0" or less, omit lines 18–23, enter "0" in lines 24 and 25, enter the amount from line 17 on line 26 (Schedule B, page 2), and enter "0" on Form 1-NR/PY, lines 24 and 27. If line 17 is a positive amount and any amount in Schedule D, line 14, columns A, B, C, D, E or F is greater than "0," omit line 18 and enter the amount from line 17 in line 19. Otherwise, go to line 18.

18 Capital Losses Applied Against Interest, Dividends and/or Capital Gains

If Schedule B, line 17 is a loss and any amount in Schedule D, line 14, columns A, B, C, D, E or F is a positive amount, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 40. When completing the worksheet, be sure to enter all losses as a positive amount.

If Schedule B, line 17 is a positive amount and any amount in Schedule D, line 14, columns A, B, C, D, E or F is a loss, complete the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 41. When completing the worksheet, be sure to enter all losses as a positive amount.

19 Subtotal Interest and Dividends and Certain Capital Gains and Losses

If line 17 is greater than "0," subtract line 18 from line 17. If line 17 is less than "0," combine lines 17 and 18. If line 19 is a loss, omit lines 20 through 25, enter the amount from line 19 in line 26 and enter "0" on Form 1-NR/PY, lines 24 and 27. Otherwise, continue completing Schedule B.

20 Long-Term Gain Deduction

Complete only if lines 9 and 19 are greater than "0." If there is no entry in line 9, enter "0." If line 9 shows a gain, enter 50% of line 9 less 50% of losses in lines 14, 15, 16 and 18, but not less than "0."

Example: Jack has a long-term capital gain on collectibles of \$1,000 entered in line 9 and line 13. He does not have any other interest income (other than interest from Massachusetts banks) and dividend income. Jack also has a short-term capital loss of \$100 entered in line 14 and a prior year short-term unused loss of \$200 entered in line 16. Jack enters \$350 in line 20: **\$500 (50% of \$1,000) minus \$150 (50% of \$300) = \$350.**

Part 3. Taxable Interest, Dividends and Certain Capital Gains**21 Adjusted Gross Interest, Dividends and Certain Capital Gains**

Subtract line 20 from line 19. Not less than "0."

22 Excess Exemptions

Enter the amount from line 5 of the Excess Exemption Worksheet on page 23. Complete only if single, head of household or married filing jointly and Form 1-NR/PY, line 22 is greater than Form 1-NR/PY, line 21.

24 Interest and Dividends Taxable at 5.6%

If line 23 is greater than or equal to line 7, enter the amount from line 7 here and on Form 1-NR/PY, line 24. If line 23 is less than line 7, enter the amount from line 23 here and on Form 1-NR/PY, line 24.

25 Taxable 12% Capital Gains

Subtract line 24 from line 23. Not less than "0." Enter the result here and on Form 1-NR/PY, line 27a.

26 Available Short-Term Losses for Carryover in 2002

Enter the amount from line 19 (Schedule B, page 1), only if it is a loss. If line 19 is not completed, enter the amount from line 17, only if it is a loss.

Note: Before completing the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15, or the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15, you must have completed Schedule B, line 17 and Schedule D, line 14.

If you need additional information on how to net capital gains against capital losses, visit DOR's website at www.mass.gov/dor.

Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15. Complete only if Schedule B, line 17 is a loss and any amount in Schedule D, line 14, column A, B, C, D, E or F is a positive amount. Enter all losses as positive amounts.

1. Enter amount from Schedule B, line 17 as a positive amount.
2. Enter any gain from Schedule D, line 14, column A. Otherwise, enter "0".
3. If line 1 is smaller than or equal to line 2, enter line 1 here and in Schedule D, line 15, column A. If line 1 is larger than line 2, enter line 2 here and in Schedule D, line 15, column A.
4. Subtract line 3 from line 1. Enter result here. If "0," omit lines 5 through 18 and complete line 19. Otherwise, complete lines 5 through 7.
5. Enter any gain from Schedule D, line 14, column B. Otherwise, enter "0".
6. If line 4 is smaller than or equal to line 5, enter line 4 here and in Schedule D, line 15, column B. If line 4 is larger than line 5, enter line 5 here and in Schedule D, line 15, column B.
7. Subtract line 6 from line 4. Enter result here. If "0," omit lines 8 through 18 and complete line 19. Otherwise, complete lines 8 through 10.
8. Enter any gain from Schedule D, line 14, column C. Otherwise, enter "0".
9. If line 7 is smaller than or equal to line 8, enter line 7 here and in Schedule D, line 15, column C. If line 7 is larger than line 8, enter line 8 here and in Schedule D, line 15, column C.
10. Subtract line 9 from line 7. Enter result here. If "0," omit lines 11 through 18 and complete line 19. Otherwise, complete lines 11 through 13.
11. Enter any gain from Schedule D, line 14, column D. Otherwise, enter "0".
12. If line 10 is smaller than or equal to line 11, enter line 10 here and in Schedule D, line 15, column D. If line 10 is larger than line 11, enter line 11 here and in Schedule D, line 15, column D.
13. Subtract line 12 from line 10. Enter result here. If "0," omit lines 14 through 18 and complete line 19. Otherwise, complete lines 14 through 16.
14. Enter any gain from Schedule D, line 14, column E. Otherwise, enter "0".

Worksheet continues next page ...

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- 15.** If line 13 is smaller than or equal to line 14, enter line 13 here and in Schedule D, line 15, column E. If line 13 is larger than line 14, enter line 14 here and in Schedule D, line 15, column E.
- 16.** Subtract line 15 from line 13. Enter result here. If "0," omit lines 17 and 18 and complete line 19. Otherwise, complete lines 17 through 19.
- 17.** Enter any gain from Schedule D, line 14, column F. Otherwise, enter "0"
- 18.** If line 16 is smaller than or equal to line 17, enter line 16 here and in Schedule D, line 15, column F. If line 16 is larger than line 17, enter line 17 here and in Schedule D, line 15, column F.
- 19.** Add items 3, 6, 9, 12, 15 and 18. Enter the result here and in Schedule B, line 18.

Long-Term Capital Losses Applied Against Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15. Complete only if Schedule B, line 17 is a positive amount and any amount in Schedule D, line 14, column A, B, C, D, E or F is a loss. Enter all losses as positive amounts.

- 1.** Enter amount from Schedule B, line 17.
- 2.** Enter any loss from Schedule D, line 14, column A as a positive amount. Otherwise, enter "0"
- 3.** If line 1 is smaller than or equal to line 2, enter line 1 here and in Schedule D, line 15, column A. If line 1 is larger than line 2, enter line 2 here and in Schedule D, line 15, column A.
- 4.** Subtract line 3 from line 1. Enter result here. If "0," omit lines 5 through 18 and complete line 19. Otherwise, complete lines 5 through 7.
- 5.** Enter any loss from Schedule D, line 14, column B as a positive amount. Otherwise, enter "0"
- 6.** If line 4 is smaller than or equal to line 5, enter line 4 here and in Schedule D, line 15, column B. If line 4 is larger than line 5, enter line 5 here and in Schedule D, line 15, column B.
- 7.** Subtract line 6 from line 4. Enter result here. If "0," omit lines 8 through 18 and complete line 19. Otherwise, complete lines 8 through 10.
- 8.** Enter any loss from Schedule D, line 14, column C as a positive amount. Otherwise, enter "0"
- 9.** If line 7 is smaller than or equal to line 8, enter line 7 here and in Schedule D, line 15, column C. If line 7 is larger than line 8, enter line 8 here and in Schedule D, line 15, column C.
- 10.** Subtract line 9 from line 7. Enter result here. If "0," omit lines 11 through 18 and complete line 19. Otherwise, complete lines 11 through 13.
- 11.** Enter any loss from Schedule D, line 14, column D as a positive amount. Otherwise, enter "0"
- 12.** If line 10 is smaller than or equal to line 11, enter line 10 here and in Schedule D, line 15, column D. If line 10 is larger than line 11, enter line 11 here and in Schedule D, line 15, column D.

Worksheet continues next column ...

... Continued from previous column

- 13.** Subtract line 12 from line 10. Enter result here. If "0," omit lines 14 through 18 and complete line 19. Otherwise, complete lines 14 through 16.
- 14.** Enter any loss from Schedule D, line 14, column E as a positive amount. Otherwise, enter "0"
- 15.** If line 13 is smaller than or equal to line 14, enter line 13 here and in Schedule D, line 15, column E. If line 13 is larger than line 14, enter line 14 here and in Schedule D, line 15, column E.
- 16.** Subtract line 15 from line 13. Enter result here. If "0," omit lines 17 and 18 and complete line 19. Otherwise, complete lines 17 through 19.
- 17.** Enter any loss from Schedule D, line 14, column F as a positive amount. Otherwise, enter "0"
- 18.** If line 16 is smaller than or equal to line 17, enter line 16 here and in Schedule D, line 15, column F. If line 16 is larger than line 17, enter line 17 here and in Schedule D, line 15, column F.
- 19.** Add items 3, 6, 9, 12, 15 and 18. Enter the result here and in Schedule B, line 18.

Schedule D

Note: If showing a loss, be sure to mark over the X in the box to the left.

Long-Term Capital Gains and Losses Excluding Collectibles

Nonresidents. The long-term gain or loss realized from the transaction of assets being sold or exchanged which are considered to be from Massachusetts sources must be reported on Massachusetts Schedule D. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Long-term capital losses are losses on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Holding periods will be deemed not to have begun prior to January 1, 1995. Massachusetts source assets are (1) real or tangible personal property located in Massachusetts and (2) property connected with a Massachusetts trade, business or employment.

Part-year residents. The long-term gains or losses realized while you were a resident of Massachusetts, whether received from sources inside or outside of Massachusetts, from the sale or exchange of capital assets or from similar transactions which are granted capital gain or loss treatment on your U.S. return, or any capital gains distributions received, must be reported on Massachusetts Schedule D. Include gains from all property, wherever located. Long-term capital gains are gains on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Long-term capital losses

are losses on the sale or exchange of capital assets that have been held for more than one year on the date of sale or exchange. Holding periods will be deemed not to have begun prior to January 1, 1995.

The new law defines “capital gain income” as gain from the sale or exchange of a capital asset. The definition of “capital asset” has been expanded to include: (1) an asset which is a capital asset under IRC sec. 1221, or (2) property that is used in a trade or business within the meaning of IRC sec. 1231(b) without regard to the holding period as defined in said sec. 1231(b). For a detailed explanation of the new law, see the Department’s Regulation on Capital Gains and Losses at 830 CMR 62.4.1.

For tax year 2001 the applicable tax rates are 5% if the capital asset was held for more than one year but not more than two years (column A), 4% if the capital asset was held more than two years but not more than three years (column B), 3% if the capital asset was held more than three years but not more than four years (column C), 2% if the capital asset was held more than four years but not more than five years (column D), 1% if the capital asset was held more than five years but not more than six years (column E), and 0% if the capital asset was held more than six years (column F).

Significant differences between the U.S. and Massachusetts capital gain provisions are:

- Upon the sale of stock of an S corporation, the federal basis must be modified according to Massachusetts Income Tax Regulation, 830 CMR 62.17A.1; and
- Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws. For more information regarding basis adjustment rules, see TIR 88-7 or the *Guide to Filing Your 2001 Massachusetts Income Taxes*.

Net ordinary losses that are itemized deductions on U.S. Schedule A are not allowable.

Installment Sales

If a sale was treated as an installment sale for U.S. income tax purposes, it may be treated the same way on your Massachusetts income tax return. Gains from pre-1996 installment sales are classified as either capital gains or ordinary income under the Massachusetts law in effect on the date the sale or exchange took place. Gains from pre-1996 installment sales that are classified as capital gains should be reported as 12% income on Massachusetts Schedule B. If the asset was held for more than one year when it was sold, the gain will be eligible for a 50% long-term deduction. Gains from pre-1996 installment sales that are classified as capital gains included on Massachusetts

Schedule D, line 3 should be reported on Massachusetts Schedule D, line 11 (“Long-term gains on collectibles and pre-1996 installment sales”). The amount of such gain is then reported on Massachusetts Schedule B, Part 2, line 9. Enclose a statement with Massachusetts Schedule D identifying such amount in line 11 as “2001 gain from pre-1996 installment sale.”

Gains from pre-1996 installment sales classified as ordinary income and that are included on Massachusetts Schedule D, line 3 should be reported on Massachusetts Schedule D, line 9 (“Differences”). The amount of such gain classified as ordinary income should then be reported on Form 1-NR/PY, line 11 (“Other income”) and included on Schedule X, line 5 and identified as “2001 gain from pre-1996 installment sale.”

If you wish to report a sale on your Massachusetts return as an installment sale, you must apply in writing to the Department of Revenue’s Installment Sales Unit. The Commissioner of Revenue must approve your application to report the sale on the installment basis in Massachusetts before you file your return, and appropriate security must be posted. An explanatory statement must be enclosed with each return for the life of the installment sale. For further information contact the Installment Sales Unit at (617) 887-6950.

Note: Complete Schedule D, lines 1–20, columns A, B, C, D, E or F (Schedule D, pages 1–3) before completing Schedule D, lines 21 and 22 (Schedule D, page 4). Also, be sure to enclose pages 1–4 of Schedule D with Form 1-NR/PY.

1 Long-Term Capital Gains and Losses

Enter in column A the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 8, column f, from the sale or exchange of assets held more than six years.

2 Additional Long-Term Capital Gains and Losses

Enter in column A the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 9, column f, from the sale or exchange of assets held more than six years.

3 Gain from Sales of Business Property and Other Long-Term Gains and Losses

Enter in column A the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 11, column f, from the sale or exchange of assets held more than six years.

4 Net Long-Term Gain or Loss from Partnerships, S Corporations, Estates and Trusts

If a partnership, S corporation, estate or trust does not report capital gains in a manner that allows you to determine the amounts attributable to assets held more than two years, report the amount in column A.

Enter in column A the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F (Schedule D, page 3) the gain or loss included in U.S. Schedule D, line 12, column f, from the sale or exchange of assets held more than six years.

5 Capital Gain Distributions

If a mutual fund or real estate investment trust does not report capital gain distributions in a manner that allows you to determine the amounts attributable to assets held more than two years, report the amount in column A.

If you did not file U.S. Schedule D, enter in column A the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13 or 1040A, line 10, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13 or 1040A, line 10, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13 or 1040A, line 10, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13 or 1040A, line 10, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Form 1040, line 13 or 1040A, line 10, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F (Schedule D, page 3) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S.

Form 1040, line 13 or 1040A, line 10, from the sale or exchange of assets held more than six years.

If you did file a U.S. Schedule D, enter in column A the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Schedule D, line 13, column f, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Schedule D, line 13, column f, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Schedule D, line 13, column f, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in U.S. Schedule D, line 13, column f, from the sale or exchange of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Schedule D, line 13, column f, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F (Schedule D, page 3) the capital gain distributions reported to you by a mutual fund or real estate investment trust included in the amount from U.S. Schedule D, line 13, column f, from the sale or exchange of assets held more than six years.

6 Massachusetts Long-Term Capital Gains and Losses Included in U.S. Form 4797, Part II

Enter amounts included in U.S. Form 4797, Part II treated as capital gains or losses for Massachusetts purposes (not included in lines 1–5 above). These include ordinary gains from the sale of Section 1231 property, recapture amounts under Sections 1245, 1250 and 1255, Section 1244 losses and the loss on the sale, exchange or involuntary conversion of property used in a trade or business.

Enter in column A the gain or loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than one year but not more than two years. Enter in column B the gain or loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than two years but not more than three years. Enter in column C (Schedule D, page 2) the gain or loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than three years but not more than four years. Enter in column D (Schedule D, page 2) the gain or loss included in U.S. Form 4797, Part II, from the sale or ex-

change of assets held more than four years but not more than five years. Enter in column E (Schedule D, page 3) the gain or loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than five years but not more than six years. Enter in column F (Schedule D, page 3) the gain or loss included in U.S. Form 4797, Part II, from the sale or exchange of assets held more than six years.

7 Carryover Losses from Previous Years

If you have a carryover loss from a prior year, enter in the applicable column in line 7 the amount of carryover losses from your 2000 Schedule D, line 22, columns A, B, C, D and E. This line is not applicable for column F.

8 Subtotal Long-Term Capital Gains and Losses

Combine lines 1 through 7, column A and enter the result in line 8, column A. Combine lines 1 through 7, column B and enter the result in line 8, column B. Combine lines 1 through 7, column C (Schedule D, page 2) and enter the result in line 8, column C. Combine lines 1 through 7, column D (Schedule D, page 2) and enter the result in line 8, column D. Combine lines 1 through 7, column E (Schedule D, page 3) and enter the result in line 8, column E. Combine lines 1 through 6, column F (Schedule D, page 3) and enter the result in line 8, column F.

9 Differences

Nonresidents. Enter in line 9 any long-term capital gains and losses included on Schedule D, lines 1–7, columns A, B, C, D, E and F which are not Massachusetts source income and thus not taxable to you as a nonresident. A nonresident's capital gains and losses are subject to tax if the gain or loss resulted from the sale or exchange of property connected with a Massachusetts trade or business or from the ownership of real or tangible personal property located in Massachusetts.

Part-year residents. Enter in line 9 any long-term capital gains or losses included on Schedule D, lines 1–7, columns A, B, C, D, E and F that occurred while you were legally domiciled in another state or country during the taxable year.

Nonresidents and part-year residents. Enter here any other differences between the gains or losses reportable for Massachusetts tax purposes and the gains or losses reported on U.S. Schedule D. For example:

- Gains or losses of a Massachusetts estate or trust that are taxed directly on the Massachusetts Fiduciary Return, Form 2, if you are the beneficiary and if you included the amounts on Schedule D, line 4;
- Pre-1996 installment sales classified as ordinary income for Massachusetts purposes;

► Massachusetts long-term capital gains or losses from transactions reported as installment sales for U.S. income tax purposes but not for Massachusetts; and

► Massachusetts has adopted basis adjustment rules to take into account differences between Massachusetts and federal tax laws.

Part-year residents. Do not enter gains or losses received while a resident from any grantor-type trust or from an estate or trust that is not subject to taxation in Massachusetts.

Any entry in line 9 must be clearly explained in an enclosed statement.

10 Adjusted Capital Gains and Losses

Exclude/subtract line 9, column A from line 8, column A and enter the result in line 10, column A. Exclude/subtract line 9, column B from line 8, column B and enter the result in line 10, column B. Exclude/subtract line 9, column C (Schedule D, page 2) from line 8, column C and enter the result in line 10, column C. Exclude/subtract line 9, column D (Schedule D, page 2) from line 8, column D and enter the result in line 10, column D. Exclude/subtract line 9, column E (Schedule D, page 3) from line 8, column E and enter the result in line 10, column E. Exclude/subtract line 9, column F (Schedule D, page 3) from line 8, column F and enter the result in line 10, column F.

► If line 9 in any column is a loss, add loss as a positive number to the amount recorded in line 8 of that column. See the following examples:

Sch. D	Example A		Example B	
Line	col. A	col. B	col. A	col. B
8	\$1,000	\$1,000	\$700*	\$700*
9	500	300*	500	500*
10	500	1,300	1,200*	200*

*denotes loss

► If in line 9 you entered amounts which increase the amounts reported from U.S. to Massachusetts, for example, a long-term gain reported as installment sales for U.S. tax purposes but not for Massachusetts, add the amount in line 9 to the amount in line 8.

11 Long-Term Gains on Collectibles and Pre-1996 Installment Sales

Enter in line 11, column A the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column A. Enter in line 11, column B the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column B. Enter in line 11, column C (Sched-

ule D, page 2) the amount of long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column C. Enter in line 11, column D (Schedule D, page 2) the amount of long-term capital gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column D. Enter in line 11, column E (Schedule D, page 3) the amount of long-term capital gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column E. Enter in line 11, column F (Schedule D, page 3) the amount of long-term capital gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes that are included in line 10, column F.

Long-term gains on collectibles and pre-1996 installment sales classified as capital gain income for Massachusetts purposes are taxed at the 12% rate and the total of columns A, B, C, D, E and F should be entered on Schedule B, line 9.

Collectibles are defined as any capital asset that is a collectible within the meaning of Internal Revenue Code section 408(m), as amended and in effect for the taxable year, including works of art, rugs, antiques, metals, gems, stamps, alcoholic beverages, certain coins, and any other items treated as collectibles for federal tax purposes.

12 Subtotal

Subtract line 11, column A from line 10, column A and enter the result in line 12, column A. Subtract line 11, column B from line 10, column B and enter the result in line 12, column B. Subtract line 11, column C (Schedule D, page 2) from line 10, column C and enter the result in line 12, column C. Subtract line 11, column D (Schedule D, page 2) from line 10, column D and enter the result in line 12, column D. Subtract line 11, column E (Schedule D, page 3) from line 10, column E and enter the result in line 12, column E. Subtract line 11, column F (Schedule D, page 3) from line 10, column F and enter the result in line 12, column F.

If any amount in Schedule D, line 12, columns A, B, C, D, E or F is a gain and any amount in Schedule D, line 12, columns A, B, C, D, E or F is a loss, complete the Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 13 on pages 46–49.

If any amount in Schedule D, line 12 is a gain, no other amount in Schedule D, line 12 is a loss, and Schedule B, line 17 is "0" or greater, omit Schedule D, lines 13–15 and enter the amount from Schedule D, line 12 in Schedule D, line 16.

If any amount in Schedule D, line 12 is a loss, no other amount in Schedule D, line 12 is a gain, and Schedule B, line 17 is a positive amount, omit Schedule D, line 13, enter the amount from

Schedule D, line 12 in Schedule D, line 14 and complete the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 41.

If any amount in Schedule D, line 12 is a gain, no other amount in Schedule D, line 12 is a loss, and Schedule B, line 17 is a loss, omit Schedule D, line 13, enter the amount from Schedule D, line 12 on Schedule D, line 14 and complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 40.

If any amount in Schedule D, line 12 is a loss, no other amount in Schedule D, line 12 is a gain, and Schedule B, line 17 is "0" or less, omit Schedule D, lines 13–15, enter the amount from Schedule D, line 12 in Schedule D, line 16, omit Schedule D, lines 17–21, enter the amount from Schedule D, line 16 in Schedule D, line 22, and enter "0" on Form 1-NR/PY, line 28.

13 Long-Term Capital Loss Applied Against Long-Term Capital Gains

Complete the following Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 13 only if any amount in Schedule D, line 12, columns A, B, C, D, E or F is a gain and any amount in Schedule D, line 12, columns A, B, C, D, E or F is a loss. When completing the worksheet, be sure to enter all losses as a positive amount.

This worksheet was designed to provide for the netting of long-term gains and losses. First, gains and losses within each holding period are netted. For example, 5% gains are applied against 5% losses, 4% gains are applied against 4% losses, 3% gains are applied against 3% losses, 2% gains are applied against 2% losses, 1% gains are applied against 1% losses and 0% gains are applied against 0% losses. Then, any net losses within a particular holding period can be applied against net gains within other holding periods, beginning with the highest tax rate and applying any remaining losses against the next highest tax rate. For example, a 3% loss is first applied to 5% gains, any remaining loss is applied to 4% gains, any remaining loss is applied against 2% gains, any remaining loss then is applied against 1% gains, and any loss still remaining then is applied against 0% gains.

If you need additional information on how to net long-term gains against long-term losses, visit DOR's website at www.mass.gov/dor.

Long-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule D, Line 13. Complete only if any amount in Schedule D, line 12, columns A, B, C, D, E or F is a gain and any amount in Schedule D, line 12, columns A, B, C, D, E or F is a loss.

Part 1. Complete only if you have a gain in Schedule D, line 12, column A. Otherwise, enter "0" in lines 1–15 and go to Part 2.

1. Enter any gain from Schedule D, line 12, column A.
2. Enter any loss from Schedule D, line 12, column B as positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0".....
3. If line 1 is smaller than or equal to line 2, enter line 1 here. If line 1 is larger than line 2, enter line 2 here.....
4. Subtract line 3 from line 1. Enter result here
5. If line 4 is "0," enter "0" in lines 5–15 and go to Part 2. If line 4 is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0".....
6. If line 4 is smaller than or equal to line 5, enter line 4 here. If line 4 is larger than line 5, enter line 5 here.....
7. Subtract line 6 from line 4. Enter result here
8. If line 7 is "0," enter "0" in lines 8–15 and go to Part 2. If line 7 is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0".....
9. If line 7 is smaller than or equal to line 8, enter line 7 here. If line 7 is larger than line 8, enter line 8 here.....
10. Subtract line 9 from line 7. Enter result here
11. If line 10 is "0," enter "0" in lines 11–15 and go to Part 2. If line 10 is greater than "0," enter any loss from Schedule D, line 12, column E as a positive figure. If Schedule D, line 12, column E is "0" or greater, enter "0".....
12. If line 10 is smaller than or equal to line 11, enter line 10 here. If line 10 is larger than line 11, enter line 11 here.....
13. Subtract line 12 from line 10. Enter result here
14. If line 13 is "0," enter "0" in lines 14 and 15 and go to Part 2. If line 13 is greater than "0," enter any loss from Schedule D, line 12, column F as a positive figure. If Schedule D, line 12, column F is "0" or greater, enter "0".....
15. If line 13 is smaller than or equal to line 14, enter line 13 here. If line 13 is larger than line 14, enter line 14 here.....

Part 2. Complete only if you have a gain in Schedule D, line 12, column B. Otherwise, enter "0" in lines 16–38 and go to Part 3.

16. Enter any gain from Schedule D, line 12, column B.....
17. Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0".....
18. If line 16 is smaller than or equal to line 17, enter line 16 here. If line 16 is larger than line 17, enter line 17 here.....

Worksheet continues next page ...

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19. Subtract line 18 from line 16. Enter result here _____
20. If line 19 is "0," enter "0" in lines 20–38 and go to Part 3. If line 19 is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0" _____
21. Enter the amount from line 6 _____
22. Subtract line 21 from line 20. Enter result here _____
23. If line 19 is smaller than or equal to line 22, enter line 19 here. If line 19 is larger than line 22, enter line 22 here _____
24. Subtract line 23 from line 19. Enter result here _____
25. If line 24 is "0," enter "0" in lines 25–38 and go to Part 3. If line 24 is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0" _____
26. Enter the amount from line 9 _____
27. Subtract line 26 from line 25. Enter result here _____
28. If line 24 is smaller than or equal to line 27, enter line 24 here. If line 24 is larger than line 27, enter line 27 here _____
29. Subtract line 28 from line 24. Enter result here _____
30. If line 29 is "0," enter "0" in lines 30–38 and go to Part 3. If line 29 is greater than "0," enter any loss from Schedule D, line 12, column E as a positive figure. If Schedule D, line 12, column E is "0" or greater, enter "0" _____
31. Enter the amount from line 12 _____
32. Subtract line 31 from line 30. Enter result here _____
33. If line 29 is smaller than or equal to line 32, enter line 29 here. If line 29 is larger than line 32, enter line 32 here _____
34. Subtract line 33 from line 29. _____
35. If line 34 is "0," enter "0" in lines 35–38 and go to Part 3. If line 34 is greater than "0," enter any loss from Schedule D, line 12, column F as a positive figure. If Schedule D, line 12, column F is "0" or greater, enter "0" _____
36. Enter the amount from line 15 _____
37. Subtract line 36 from line 35. Enter result here _____
38. If line 34 is smaller than or equal to line 37, enter line 34 here. If line 34 is larger than line 37, enter line 37 here _____

Part 3. Complete only if you have a gain in Schedule D, line 12, column C. Otherwise, enter "0" in lines 39–63 and go to Part 4.

39. Enter any gain from Schedule D, line 12, column C _____
40. Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0" _____
41. Enter the amount from line 18 _____
42. Subtract line 41 from line 40. Enter result here _____
43. If line 39 is smaller than or equal to line 42, enter line 39 here. If line 39 is larger than line 42, enter line 42 here _____
44. Subtract line 43 from line 39. Enter result here _____
45. If line 44 is "0," enter "0" in lines 45–63 and go to Part 4. If line 44 is greater than "0," enter any loss from Schedule D, line 12, column B as a positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0" _____

Worksheet continues next column ...

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46. Enter the amount from line 3 _____
47. Subtract line 46 from line 45. Enter result here _____
48. If line 44 is smaller than or equal to line 47, enter line 44 here. If line 44 is larger than line 47, enter line 47 here _____
49. Subtract line 48 from line 44. Enter result here _____
50. If line 49 is "0," enter "0" in lines 50–63 and go to Part 4. If line 49 is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0" _____
51. Add line 9 and line 28. Enter result here _____
52. Subtract line 51 from line 50. Enter result here _____
53. If line 49 is smaller than or equal to line 52, enter line 49 here. If line 49 is larger than line 52, enter line 52 here _____
54. Subtract line 53 from line 49. Enter result here _____
55. If line 54 is "0," enter "0" in lines 55–63 and go to Part 4. If line 54 is greater than "0," enter any loss from Schedule D, line 12, column E as a positive figure. If Schedule D, line 12, column E is "0" or greater, enter "0" _____
56. Add line 12 and line 33. Enter result here _____
57. Subtract line 56 from line 55. Enter result here _____
58. If line 54 is smaller than or equal to line 57, enter line 54 here. If line 54 is larger than line 57, enter line 57 here _____
59. Subtract line 58 from line 54. Enter result here _____
60. If line 59 is "0," enter "0" in lines 60–63 and go to Part 4. If line 59 is greater than "0," enter any loss from Schedule D, line 12, column F as a positive figure. If Schedule D, line 12, column F is "0" or greater, enter "0" _____
61. Add line 15 and line 38 _____
62. Subtract line 61 from line 60. Enter result here _____
63. If line 59 is smaller than or equal to line 62, enter line 59 here. If line 59 is larger than line 62, enter line 62 here _____

Part 4. Complete only if you have a gain in Schedule D, line 12, column D. Otherwise, enter "0" in lines 64–88 and go to Part 5.

64. Enter any gain from Schedule D, line 12, column D _____
65. Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0" _____
66. Add line 18 and line 43. Enter result here _____
67. Subtract line 66 from line 65. Enter result here _____
68. If line 64 is smaller than or equal to line 67, enter line 64 here. If line 64 is larger than line 67, enter line 67 here _____
69. Subtract line 68 from line 64. Enter result here _____
70. If line 69 is "0," enter "0" in lines 70–88 and go to Part 5. If line 69 is greater than "0," enter any loss from Schedule D, line 12, column B as a positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0" _____
71. Add line 3 and line 48. Enter result here _____
72. Subtract line 71 from line 70. Enter result here _____
73. If line 69 is smaller than or equal to line 72, enter line 69 here. If line 69 is larger than line 72, enter line 72 here _____

Worksheet continues next page ...

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- 74.** Subtract line 73 from line 69. Enter result here
- 75.** If line 74 is "0," enter "0" in lines 75–88 and go to Part 5. If line 74 is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0"
- 76.** Add line 6 and line 23. Enter result here
- 77.** Subtract line 76 from line 75. Enter result here
- 78.** If line 74 is smaller than or equal to line 77, enter line 74 here. If line 74 is larger than line 77, enter line 77 here
- 79.** Subtract line 78 from line 74. Enter result here
- 80.** If line 79 is "0," enter "0" in lines 80–88 and go to Part 5. If line 79 is greater than "0," enter any loss from Schedule D, line 12, column E as a positive figure. If Schedule D, line 12, column E is "0" or greater, enter "0"
- 81.** Add lines 12, 33 and 58. Enter result here
- 82.** Subtract line 81 from line 80. Enter result here
- 83.** If line 79 is smaller than or equal to line 82, enter line 79 here. If line 79 is larger than line 82, enter line 82 here
- 84.** Subtract line 83 from line 79. Enter result here
- 85.** If line 84 is "0," enter "0" in lines 85–88 and go to Part 5. If line 84 is greater than "0," enter any loss from Schedule D, line 12, column F as a positive figure. If Schedule D, line 12, column F is "0" or greater, enter "0"
- 86.** Add lines 15, 38 and 63. Enter result here
- 87.** Subtract line 86 from line 85. Enter result here
- 88.** If line 84 is smaller than or equal to line 87, enter line 84 here. If line 84 is larger than line 87, enter line 87 here

Part 5. Complete only if you have a gain in Schedule D, line 12, column E. Otherwise, enter "0" in lines 89–113 and go to Part 6.

- 89.** Enter any gain from Schedule D, line 12, column E
- 90.** Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0"
- 91.** Add lines 18, 43 and 68. Enter result here
- 92.** Subtract line 91 from line 90. Enter result here
- 93.** If line 89 is smaller than or equal to line 92, enter line 89 here. If line 89 is larger than line 92, enter line 92 here
- 94.** Subtract line 93 from line 89. Enter result here
- 95.** If line 94 is "0," enter "0" in lines 95–113 and go to Part 6. If line 94 is greater than "0," enter any loss from Schedule D, line 12, column B as a positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0"
- 96.** Add lines 3, 48 and 73. Enter result here
- 97.** Subtract line 96 from line 95. Enter result here
- 98.** If line 94 is smaller than or equal to line 97, enter line 94 here. If line 94 is larger than line 97, enter line 97 here
- 99.** Subtract line 98 from line 94. Enter result here

Worksheet continues next column ...

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- 100.** If line 99 is "0," enter "0" in lines 100–113 and go to Part 6. If line 99 is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0"
- 101.** Add lines 6, 23 and 78. Enter result here
- 102.** Subtract line 101 from line 100. Enter result here
- 103.** If line 99 is smaller than or equal to line 102, enter line 99 here. If line 99 is larger than line 102, enter line 102 here
- 104.** Subtract line 103 from line 99. Enter result here
- 105.** If line 104 is "0," enter "0" in lines 105–113 and go to Part 6. If line 104 is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0"
- 106.** Add lines 9, 28 and 53. Enter result here
- 107.** Subtract line 106 from line 105. Enter result here
- 108.** If line 104 is smaller than or equal to line 107, enter line 104 here. If line 104 is larger than line 107, enter line 107 here
- 109.** Subtract line 108 from line 104. Enter result here
- 110.** If line 109 is "0," enter "0" in lines 110–113 and go to Part 6. If line 109 is greater than "0," enter any loss from Schedule D, line 12, column F as a positive figure. If Schedule D, line 12, column F is "0" or greater, enter "0"
- 111.** Add lines 15, 38, 63 and 88. Enter result here
- 112.** Subtract line 111 from line 110. Enter result here
- 113.** If line 109 is smaller than or equal to line 112, enter line 109 here. If line 109 is larger than line 112, enter line 112 here

Part 6. Complete only if you have a gain in Schedule D, line 12, F. Otherwise, enter "0" in lines 114–138 and go to Part 7.

- 114.** Enter any gain from Schedule D, line 12, column F
- 115.** Enter any loss from Schedule D, line 12, column A as a positive figure. If Schedule D, line 12, column A is "0" or greater, enter "0"
- 116.** Add lines 18, 43, 68 and 93. Enter result here
- 117.** Subtract line 116 from line 115. Enter result here
- 118.** If line 114 is smaller than or equal to line 117, enter line 114 here. If line 114 is larger than line 117, enter line 117 here
- 119.** Subtract line 118 from line 114. Enter result here
- 120.** If line 119 is "0," enter "0" in lines 120–138 and go to Part 7. If line 119 is greater than "0," enter any loss from Schedule D, line 12, column B as a positive figure. If Schedule D, line 12, column B is "0" or greater, enter "0"
- 121.** Add lines 3, 48, 73 and 98. Enter result here
- 122.** Subtract line 121 from line 120. Enter result here

Worksheet continues next page ...

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123. If line 119 is smaller than or equal to line 122, enter line 119 here. If line 119 is larger than line 122, enter line 122

here

124. Subtract line 123 from line 119. Enter result here

125. If line 124 is "0," enter "0" in lines 125–138 and go to Part 7. If line 124 is greater than "0," enter any loss from Schedule D, line 12, column C as a positive figure. If Schedule D, line 12, column C is "0" or greater, enter "0"

126. Add lines 6, 23, 78 and 103. Enter result here

127. Subtract line 126 from line 125. Enter result here

128. If line 124 is smaller than or equal to line 127, enter line 124 here. If line 124 is larger than line 127, enter line 127 here

129. Subtract line 128 from line 124. Enter result here

130. If line 129 is "0," enter "0" in lines 130–138 and go to Part 7. If line 129 is greater than "0," enter any loss from Schedule D, line 12, column D as a positive figure. If Schedule D, line 12, column D is "0" or greater, enter "0"

131. Add lines 9, 28, 53 and 108. Enter result here

132. Subtract line 131 from line 130. Enter result here

133. If line 129 is smaller than or equal to line 132, enter line 129 here. If line 129 is larger than line 132, enter line 132 here

134. Subtract line 133 from line 129. Enter result here

135. If line 134 is "0," enter "0" in lines 135–138 and go to Part 7. If line 134 is greater than "0," enter any loss from Schedule D, line 12, column E as a positive figure. If Schedule D, line 12, column E is "0" or greater, enter "0"

136. Add lines 12, 33, 58 and 83. Enter result here

137. Subtract line 136 from line 135. Enter result here

138. If line 134 is smaller than or equal to line 137, enter line 134 here. If line 134 is larger than line 137, enter line 137 here

Part 7. Complete only if you have completed Part 1, 2, 3, 4, 5 or 6.

139. If Schedule D, line 12, column A is a gain, add lines 3, 6, 9, 12 and 15. Enter result here and in Schedule D, line 13, column A as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 5%. If Schedule D line 12, column A is a loss, add lines 18, 43, 68, 93 and 118. Enter result here and in Schedule D, line 13, column A as a positive amount. This is the amount of long-term losses from assets held for more than one year but not more than two years applied to offset other long-term capital gains

Worksheet continues next column ...

... Continued from previous column

140. If Schedule D, line 12, column B is a gain, add lines 18, 23, 28, 33 and 38. Enter result here and in Schedule D, line 13, column B as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 4%. If Schedule D line 12, column B is a loss, add lines 3, 48, 73, 98 and 123. Enter result here and in Schedule D, line 13, column B as a positive amount. This is the amount of long-term losses from assets held for more than two years but not more than three years applied to offset other long-term capital gains

141. If Schedule D, line 12, column C is a gain, add lines 43, 48, 53, 58 and 63. Enter result here and in Schedule D, line 13, column C as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 3%. If Schedule D line 12, column C is a loss, add lines 6, 23, 78, 103 and 128. Enter result here and in Schedule D, line 13, column C as a positive amount. This is the amount of long-term losses from assets held for more than three years but not more than four years applied to offset other long-term capital gains

142. If Schedule D, line 12, column D is a gain, add lines 68, 73, 78, 83 and 88. Enter result here and in Schedule D, line 13, column D as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 2%. If Schedule D, line 12, column D is a loss, add lines 9, 28, 53, 108 and 133. Enter result here and in Schedule D, line 13, column D as a positive amount. This is the amount of long-term losses from assets held for more than four years but not more than five years applied to offset other long-term capital gains

143. If Schedule D, line 12, column E is a gain, add lines 93, 98, 103, 108 and 113. Enter result here and in Schedule D, line 13, column E as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 1%. If Schedule D, line 12, column E is a loss, add lines 12, 33, 58, 83 and 138. Enter result here and in Schedule D, line 13, column E as a positive amount. This is the amount of long-term losses from assets held for more than five years but not more than six years applied to offset other long-term capital gains

144. If Schedule D, line 12, column F is a gain, add lines 118, 123, 128, 133 and 138. Enter result here and in Schedule D, line 13, column F as a negative amount. This is the amount of any long-term losses applied to offset long-term capital gains taxed at 0%. If Schedule D, line 12, column F is a loss, add lines 15, 38, 63, 88 and 113. Enter result here and in Schedule D, line 13, column F as a positive amount. This is the amount of long-term losses from assets held for more than six years applied to offset other long-term capital gains

14 Subtotal

Combine line 12, column A with line 13, column A and enter the result in line 14, column A. Combine line 12, column B with line 13, column B and enter the result in line 14, column B. Combine line 12, column C with line 13, column C and enter the result in line 14, column C. Combine line 12, column D with line 13, column D and enter the result in line 14, column D. Combine line 12, column E with line 13, column E and enter the result in line 14, column E. Combine line 12, column F with line 13, column F and enter the result in line 14, column F.

Note: After completing Schedule D, line 13, all amounts in Schedule D, line 14, columns A, B, C, D, E and F should be either "0" and/or gain(s) or "0" and/or loss(es). If all amounts in Schedule D, line 14 are "0," omit Schedule D, lines 15–17, enter "0" in Schedule D, line 18, omit the remainder of Schedule D and enter "0" in Form 1-NR/PY, line 28.

If any amount in any column in Schedule D, line 14 is "0," enter "0" in lines 15–20 for that column.

If any amount in Schedule D, line 14 is a loss, and Schedule B, line 17 is a positive amount, complete the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 41.

If any amount in Schedule D, line 14 is a gain and Schedule B, line 17 is "0" or greater, omit Schedule D, line 15 and enter the amount from Schedule D, line 14 in Schedule D, line 16.

If any amount in Schedule D, line 14 is a gain and Schedule B, line 17 is a loss, complete the Short-Term Capital Losses Applied Against Long-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 40.

If any amount in Schedule D, line 14 is a loss and Schedule B, line 17 is "0" or less, omit Schedule D, line 15, enter the amount from Schedule D, line 14 in Schedule D, line 16, omit Schedule D, lines 17–21, enter the amount from Schedule D, line 16 in Schedule D, line 22, and enter "0" in Form 1-NR/PY, line 28.

15 Capital Losses Applied Against Interest, Dividends and Capital Gains

If Schedule B, line 17 is a positive amount and any amount in Schedule D, line 14, column A, B, C, D, E or F is a loss, complete the Long-Term Capital Losses Applied Against Interest, Dividends and Short-Term Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, Line 15 on page 41. When completing the worksheet, be sure to enter all losses as a positive amount.

If Schedule B, line 17 is a loss and any amount in Schedule D, line 14, columns A, B, C, D, E or F is a positive amount, complete the Short-Term Capital Losses Applied Against Long-Term

Capital Gains Worksheet for Schedule B, Line 18 and Schedule D, line 15 on page 40. When completing the worksheet, be sure to enter all losses as a positive amount.

16 Subtotal

If line 14 is greater than "0," subtract line 15 from line 14. If line 14 is less than "0," combine lines 14 and 15. If line 16 is a loss, omit line 17 through 21, enter the amount from line 16 in line 22 and enter "0" on Form 1-NR/PY, line 28. Otherwise, go to line 17.

If any amount in any column in Schedule D, line 16 is "0," enter "0" in lines 17–20 for that column.

17 Allowable Deductions From Your Trade or Business

Generally, taxpayers may not use excess 5.6% trade or business deductions to offset other income. However, where the taxpayer files a Massachusetts Schedule C or Schedule E, Massachusetts law allows such offsets if the following requirements are met: the excess 5.6% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, sec. 2(d); and these excess deductions may only be used to offset other income which is effectively connected with the active conduct of a trade of business or any other income allowed under IRC, sec. 469(d)(1)(B) to offset losses from passive activities. Enclose Schedule C-2 with your return.

Enter in line 17, column A the amount from Schedule C-2, line 14. Enter in line 17, column B the amount from Schedule C-2, line 16. Enter in line 17, column C the amount from Schedule C-2, line 18. Enter in line 17, column D the amount from Schedule C-2, line 20. Enter in line 17, column E the amount from Schedule C-2, line 22. Enter in line 17, column F the amount from Schedule C-2, line 24.

18 Subtotal

Subtract line 17, column A from line 16, column A and enter the result in line 18, column A. Not less than "0." Subtract line 17, column B from line 16, column B and enter the result in line 18, column B. Not less than "0." Subtract line 17, column C from line 16, column C and enter the result in line 18, column C. Not less than "0." Subtract line 17, column D from line 16, column D and enter the result in line 18, column D. Not less than "0." Subtract line 17, column E from line 16, line E and enter the result in line 18, column E. Not less than "0." Subtract line 17, column F from line 16, line F and enter the result in line 18, column F. Not less than "0."

If all amounts in Schedule D, line 18 are "0," omit Schedule D, lines 19–22 and enter "0" in Form 1-NR/PY, line 28.

19 Excess Exemptions

Enter in line 19, column A the amount from line 8 of the Excess Exemption Worksheet beginning on page 23. Enter in line 19, column B the amount from line 11 of the Excess Exemption Worksheet beginning on page 23. Enter in line 19, column C (Schedule D, page 2) the amount from line 14 of the Excess Exemption Worksheet beginning on page 23. Enter in line 19, column D the amount from line 17 of the Excess Exemption Worksheet beginning on page 23. Enter in line 19, column E (Schedule D, page 3) the amount from line 20 of the Excess Exemption Worksheet beginning on page 23. Enter in line 19, column F (Schedule D, page 3) the amount from line 23 of the Excess Exemption Worksheet beginning on page 23.

20 Taxable Long-Term Capital Gains

Subtract line 19, column A from line 18, column A and enter the result in line 20, column A and on Schedule D, page 4, line 20A, column 1. Not less than "0." Subtract line 19, column B from line 18, column B and enter the result in line 20, column B and on Schedule D, page 4, line 20B, column 1. Not less than "0." Subtract line 19, column C (Schedule D, page 2) from line 18, column C and enter the result in line 20, column C and on Schedule D, page 4, line 20C, column 1. Not less than "0." Subtract line 19, column D (Schedule D, page 2) from line 18, column D and enter the result in line 20, column D and on Schedule D, page 4, line 20D, column 1. Not less than "0." Subtract line 19, column E (Schedule D, page 3) from line 18, column E and enter the result in line 20, column E and on Schedule D, page 4, line 20E, column 1. Not less than "0." Subtract line 19, column F (Schedule D, page 3) from line 18, column F and enter the result in line 20, column F and on Schedule D, page 4, line 20F, column 1. Not less than "0."

If all amounts in Schedule D, line 20 are "0," omit Schedule D, lines 21 and 22 and enter "0" in Form 1-NR/PY, line 28.

Multiply the amount in line 20A, column 1 (Schedule D, page 4) by .05 (5%) and enter the result in column 2. Multiply the amount in line 20B, column 1 (Schedule D, page 4) by .04 (4%) and enter the result in column 2. Multiply the amount in line 20C, column 1 (Schedule D, page 4) by .03 (3%) and enter the result in column 2. Multiply the amount in line 20D, column 1 (Schedule D, page 4) by .02 (2%) and enter the result in column 2. Multiply the amount in line 20E, column 1 (Schedule D, page 4) by .01 (1%) and enter the result in column 2.

21 Total Tax on Long-Term Capital Gains

Add line 20A, column 2, line 20B, column 2, line 20C, column 2, line 20D, column 2 and line 20E, column 2. Enter result here and on Form 1-NR/PY, line 28. Not less than "0."

22 Available Losses for Carryover

Enter in line 22A the amount from line 16, column A, only if it is a loss. Enter in line 22B the amount from line 16, column B, only if it is a loss. Enter in line 22C the amount from line 16, column C, only if it is a loss. Enter in line 22D the amount from line 16, column D, only if it is a loss. Enter in line 22E the amount from line 16, column E, only if it is a loss. Enter in line 22F the amount from line 16, column F, only if it is a loss.

Schedule C

Note: If showing a loss, be sure to mark over the "X" in the box to the left.

Substituting U.S. Schedules C or C-EZ

If you are substituting U.S. Schedule C or Schedule C-EZ for Massachusetts Schedule C and there are no differences between the amounts reported on U.S. Schedule C or Schedule C-EZ and amounts that would be reported on Massachusetts Schedule C, write "No Massachusetts Differences" on the top of U.S. Schedule C or Schedule C-EZ. Also enclose a copy of U.S. Form 4562 (Depreciation and Amortization). If you deduct expenses for the business use of your home, enclose a copy of U.S. Form 8829.

Profit or Loss from Business or Profession

Massachusetts Schedule C is provided to report income and deductions from each business or profession operated as a sole proprietorship. A copy of U.S. Schedule C (or Schedule F for farm income) and U.S. Form 4562 (Depreciation and Amortization) must be filed with the Massachusetts Schedule C. If you deduct expenses for the business use of your home, enclose a copy of U.S. Form 8829.

Registration Information

In the space provided, describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. Give the general field or activity and the type of product or service.

Employer Identification Number

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco and firearms tax return. If you do not have an EIN, leave the line blank. Do not enter your SSN.

Small Business Energy Exemption

If you are claiming the small business energy exemption from the sales tax on purchases of taxable energy or heating fuel during 2001, you must have five or fewer employees. You must enter the number of your employees in the space provided.

Accounting Method

If you filed a return on the accrual basis last year, your return for this year must be on the same basis. If you filed a return on the cash basis last year and wish to change to the accrual basis this year, you must obtain permission from the Commissioner by filing Massachusetts Form 14 with your return. Form 14 is available from the Massachusetts Department of Revenue.

Material Participation

Indicate if you materially participated in the operation of this business during 2001. If you did not materially participate and have a loss from this business, see line 33 for further instructions.

1a Gross Receipts or Sales

In the boxes provided, enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on Form 1099-MISC, Miscellaneous Income. If the nature of your business is such that you have gross or other income that interest (other than from Massachusetts banks) and dividend, exclude this income from lines 1 and 4 on Massachusetts Schedule C and include it in line 32 and in Schedule B, line 3. Examples of interest (other than from Massachusetts banks) and dividend income are interest received on loans, notes receivable or charge accounts that you accept in the ordinary course of business, and dividends on stocks received in payment for goods and services. Capital gains from the sale or exchange of assets used in your business are not reported on Schedule C. Use U.S. Form 4797 and report the amount in Form 1-NR/PY, Schedule B and/or Schedule D. You must also exclude from Schedule C any income and expenses that pertain to activities for yourself as distinguished from those performed for your customers. Such income must be reported by class of income in Schedules B and D. Personal expenses are not deductible. If you received Form W-2 and the "Statutory employee" box in item 13 of that form was checked, report your income and expenses related to that income on Schedule C. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C and fill in the oval. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons and certain homeworkers. If you had both self-employment income and statutory employee income, do not combine these amounts on a single Schedule C. In this case, you must file two Schedules C.

7 Bad Debts From Sales or Services

Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected.

Note: Cash method taxpayers cannot take a bad debt deduction unless the amount was previously included in income.

11 Depreciation and Section 179 Deduction

The Section 179 expensing allowance is \$24,000 for property placed in service in tax years after 2000. Massachusetts now adopts the federal provision which requires a recovery period for the depreciation of nonresidential real property of 39 years for qualifying property placed in service on or after May 14, 1993.

17 Pension and Profit-Sharing Plans

Enter your deduction for contributions to a pension, profit-sharing or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, do not include contributions made as an employer on your behalf.

22 Travel

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds one year. Spouse's and other family members' travel expenses are generally disallowed as a business deduction.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 23a and 23b.

23 Meals and Entertainment

Line 23a. Enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. Business meal expenses are deductible only if they are (a) directly related to or associated with the conduct of your trade or business, (b) not lavish or extravagant and (c) incurred while you or your employee is present at the meal. Club dues are not allowed as a business deduction.

Schedule R/NR

Line 23b. Generally, you may deduct only 50% of your business meal and entertainment expenses, including meals incurred while traveling away from home on business. However, you may fully deduct meals and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC. Figure how much of the amount on line 23a is subject to the 50% limit. Then, enter 50% of that amount on line 23b. This amount should be subtracted from the amount in line 23a. Enter the result in line 23 of Massachusetts Schedule C.

30 Abandoned Building Renovation Deduction

Massachusetts allows businesses to deduct 10% of the costs incurred in renovating certain buildings located in an Economic Opportunity Area (EOA). The buildings must be designated as abandoned by the Economic Assistance Coordinating Council. The renovation deduction may be taken in addition to any other deduction for which the renovation costs may qualify.

For more information, contact the Massachusetts Office of Business Development, 10 Park Plaza, Suite 3720, Boston, MA 02116 or call (617) 973-8600.

In line 30 enter 10% of the costs of renovating a qualifying abandoned building. Enclose a statement detailing the location and cost of renovating the qualifying abandoned building.

33 If You Have a Loss

Fill in the oval in line 33a if all of your investment is at risk. Enter your loss from line 31 on Form 1-NR/PY, line 8 **unless** you answered "no" to the question on material participation on the front of Schedule C. If you answered "no" to this question, complete and enclose a pro forma copy of U.S. Form 8582 that reflects only income being reported on your Massachusetts return. Enter in Massachusetts Schedule C, line 31 your allowable loss calculated on Form 8582.

Fill in the oval in line 33b if only some of your investment is at risk. To determine the amount of your allowable loss, complete and enclose a pro forma copy of U.S. Form 6198 that reflects only income being reported on your Massachusetts return. Enter the amount calculated on U.S. Form 6198 in line 31 **unless** you answered "no" to the question on material participation on the front of Schedule C. In this case, your loss is further limited. Use the amounts calculated on your pro forma U.S. Form 6198 to complete a pro forma U.S. Form 8582. Be sure to enclose both forms with your return. If your at-risk amount is "0" or less, enter "0" in line 31.

Part 1. Income Adjustments

Column A

Enter the amount of income reported on your federal return as modified as if it were received by a full-year Massachusetts resident. Refer to each specific line instruction for Form 1-NR/PY to determine income that should be added to or subtracted from the federal total.

Column B

Enter the amount of income from column A that you received while a Massachusetts resident.

Column C

Enter the amount of income from column A from both Massachusetts and non-Massachusetts sources that you received while a nonresident.

Column D

Enter the amount of income from column C from Massachusetts sources that you received while a nonresident.

See page 9 of the instructions for a definition of Massachusetts source income.

Refer to each specific line instruction for Form 1-NR/PY to determine the income from Massachusetts sources received during your nonresident period. Also see Form 1-NR/PY, line 13 instruction for those nonresidents eligible to apportion income.

If you received income from a business/profession reported on a Schedule C, while a Massachusetts resident and from Massachusetts sources while a nonresident, you must complete a separate Massachusetts Schedule C for each period.

Column E

Add column B and column D. This is your total income received while a Massachusetts resident and received from Massachusetts sources while a nonresident. Enter the amount from column E in each applicable line on Form 1-NR/PY (see separate instruction for Schedule D). Subtract the total of column D from column C and enter the result in line 14e of Form 1-NR/PY. This is the additional income that you received from non-Massachusetts sources that would have been reported by you if you had been a Massachusetts resident.

Add Form 1-NR/PY lines 5 through 12 and complete Form 1-NR/PY line 14 before completing the rest of this worksheet.

Schedule D

Enter in column A the amount from Schedule D, line 8. Enter in column B the amount of income from column A that you received while a Massachusetts resident. Enter in column C the amount of income from column A from both Massachusetts and non-Massachusetts sources that you received while a nonresident. Enter the amount of income from column C from Mass-

achusetts sources that you received while nonresident. Subtract column D from column C and enter the result (plus any other applicable adjustments) in Schedule D, line 9. Complete Schedule D as otherwise instructed.

Part 2. Deduction and Exemption Adjustments

Note: Schedule Y, line 5 is adjusted both in Sections A and B. See Schedule R/NR to determine which amounts are adjusted in Section A and Section B.

Section A.

Lines 15a and 15b

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D. The column C total cannot exceed \$2,000.

Schedule Y, line 1

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D. Complete separate worksheets for columns A and B.

Schedule Y, line 2

The amounts reported in column A must be related to income reported in Part 1, column B or on a previous Massachusetts return. The amounts reported in column B must be related to income reported in Part 1, column D or on a previous Massachusetts return.

Schedule Y, line 4

The amounts reported in column A must be related to income reported in Part 1, line 5, column B. The amounts reported in column B must be related to income reported in Part 1, line 5, column D.

Schedule Y, line 5

The amounts reported in column A must be related to income reported in Part 1, column B. The amounts reported in column B must be related to income reported in Part 1, column D.

Schedule Y, line 6

The amounts reported in column A must be related to income reported in Part 1, line 6, column B. The amounts reported in column B must be related to income reported in Part 1, line 6, column D.

Column C

Add column A and column B and enter the total in each applicable line of Form 1-NR/PY or Schedule Y.

Section B

Note: You may claim only a deduction for either line 16 or line 17. Refer to the Form 1-NR/PY instructions to determine which deduction is better for you.

Line 16

Complete the worksheet in Form 1-NR/PY instructions through number 3 and enter that amount in column A. In column B enter the amount from column A that is related to your Massachusetts resident period. Subtract column B from column A and enter the result in column C. Multiply the amount from column C by Form 1-NR/PY, line 14g and enter the result in column D. Add columns B and D and enter the result in column E and Form 1-NR/PY, line 16.

Line 17

If you have a dependent member(s) of household under age 12, or dependents age 65 or over as of 12/31/01, or disabled dependents and you are not claiming an amount in line 16, enter \$2,400, or \$4,800 for two or more such dependents, in column A. Multiply the column A amount by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Form 1-NR/PY, line 17.

Line 22

In column A enter the amount from Form 1-NR/PY, line 4f. Multiply the column A amount by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Form 1-NR/PY, line 22.

Line 42

Multiply the earned income credit amount from your U.S. Form 1040, line 61a; Form 1040A, line 39a; Form 1040EZ, line 9a; or U.S. Telefile Tax Record, item L (2) by .15 (15%). Enter the result in column A. If you choose to have the IRS compute your federal earned income credit, wait until the IRS notifies you of your federal earned income credit amount before entering an amount in column A. If you have not received your earned income credit amount as computed by the IRS by April 16, 2002, you may file Massachusetts Form M-4868, Application for Automatic Six-Month Extension of Time to File Massachusetts Income Tax Return. Multiply the amount in column A by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the amount in column C by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Form 1-NR/PY, line 42.

Schedule Y, line 3

In column A enter the total alimony paid from U.S. Form 1040, line 31a. In column B enter the amount from column A paid while you were a Massachusetts resident. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 3.

Schedule Y, line 5

In column A enter the total of U.S. Form 1040, lines 24, 25 and any amount included in line 32 for clean fuel vehicle deduction. Multiply the column A amount by Form 1-NR/PY, line 2. Subtract the column B amount from the column A amount and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the total in column E and in Form 1-NR/PY, Schedule Y, line 5.

Schedule Y, line 7

Complete the worksheet in Form 1-NR/PY instructions through item 6 and enter that amount in column A. Multiply the amount in column A by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 7.

Schedule Y, Line 8

In column A enter the amount of interest paid on an undergraduate student loan(s) (see Schedule Y, line 8 instructions). Multiply the amount in column A by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from

column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 8.

Schedule Y, Line 9

In column A enter the total amount of charitable contributions from U.S. Schedule A, line 15 (gifts by cash or check) and line 16 (other than by cash or check). Multiply the amount in column A by Form 1-NR/PY, line 2 and enter the result in column B. Subtract the amount in column B from column A and enter the result in column C. Multiply the column C amount by Form 1-NR/PY, line 14g and enter the result in column D. Add column B and column D and enter the result in column E and in Schedule Y, line 9.

Completing Form 1-NR/PY

After entering the amounts from this worksheet in the applicable lines of Form 1-NR/PY, complete Form 1-NR/PY, lines 28 through 49.

Note: In Form 1-NR/PY, line 39, only enter amounts listed as Massachusetts withholding.

Schedule NTS-L-NR/PY

If completing Schedule NTS-L-NR/PY, enter the amount from Form 1-NR/PY line 14e in line 7 of Schedule NTS-L-NR/PY.

Schedule F

You may only claim a Credit for Income Taxes Paid to Another State or Jurisdictions on income received while a Massachusetts resident. Complete Schedule F based on income received during your Massachusetts resident period only.

2001 Massachusetts Income Tax Table at the 5.6% Rate

Use this table to calculate tax for taxable 5.6% income (line 25) of not more than \$80,000.

Line 26 Instructions: To find your **Tax on 5.6% Income** (line 26), read down the tax table income column to the line containing the amount you entered in line 25. Then read across to the **TAX** column and enter this amount in line 26. If your taxable 5.6% income in line 25 is greater than \$80,000, multiply the amount by .056. Enter the result in line 26.

INCOME				INCOME				INCOME				INCOME				INCOME				INCOME								
More than		But not more than		TAX	More than		But not more than		TAX	More than		But not more than		TAX	More than		But not more than		TAX	More than		But not more than		TAX				
\$	1 – \$	50	\$	1	\$	4,000 – \$	4,050	\$	225	\$	8,000 – \$	8,050	\$	449	\$12,000 –	\$12,050	\$	673	\$16,000 –	\$16,050	\$	897	\$20,000 –	\$20,050	\$1,121			
	50 –	100		4		4,050 –	4,100		228		8,050 –	8,100		452		12,050 –	12,100		676		16,050 –	16,100		900		20,050 –	20,100	1,124
	100 –	150		7		4,100 –	4,150		231		8,100 –	8,150		455		12,100 –	12,150		679		16,100 –	16,150		903		20,100 –	20,150	1,127
	150 –	200		10		4,150 –	4,200		234		8,150 –	8,200		458		12,150 –	12,200		682		16,150 –	16,200		906		20,150 –	20,200	1,130
	200 –	250		13		4,200 –	4,250		237		8,200 –	8,250		461		12,200 –	12,250		685		16,200 –	16,250		909		20,200 –	20,250	1,133
	250 –	300		15		4,250 –	4,300		239		8,250 –	8,300		463		12,250 –	12,300		687		16,250 –	16,300		911		20,250 –	20,300	1,135
	300 –	350		18		4,300 –	4,350		242		8,300 –	8,350		466		12,300 –	12,350		690		16,300 –	16,350		914		20,300 –	20,350	1,138
	350 –	400		21		4,350 –	4,400		245		8,350 –	8,400		469		12,350 –	12,400		693		16,350 –	16,400		917		20,350 –	20,400	1,141
	400 –	450		24		4,400 –	4,450		248		8,400 –	8,450		472		12,400 –	12,450		696		16,400 –	16,450		920		20,400 –	20,450	1,144
	450 –	500		27		4,450 –	4,500		251		8,450 –	8,500		475		12,450 –	12,500		699		16,450 –	16,500		923		20,450 –	20,500	1,147
	500 –	550		29		4,500 –	4,550		253		8,500 –	8,550		477		12,500 –	12,550		701		16,500 –	16,550		925		20,500 –	20,550	1,149
	550 –	600		32		4,550 –	4,600		256		8,550 –	8,600		480		12,550 –	12,600		704		16,550 –	16,600		928		20,550 –	20,600	1,152
	600 –	650		35		4,600 –	4,650		259		8,600 –	8,650		483		12,600 –	12,650		707		16,600 –	16,650		931		20,600 –	20,650	1,155
	650 –	700		38		4,650 –	4,700		262		8,650 –	8,700		486		12,650 –	12,700		710		16,650 –	16,700		934		20,650 –	20,700	1,158
	700 –	750		41		4,700 –	4,750		265		8,700 –	8,750		489		12,700 –	12,750		713		16,700 –	16,750		937		20,700 –	20,750	1,161
	750 –	800		43		4,750 –	4,800		267		8,750 –	8,800		491		12,750 –	12,800		715		16,750 –	16,800		939		20,750 –	20,800	1,163
	800 –	850		46		4,800 –	4,850		270		8,800 –	8,850		494		12,800 –	12,850		718		16,800 –	16,850		942		20,800 –	20,850	1,166
	850 –	900		49		4,850 –	4,900		273		8,850 –	8,900		497		12,850 –	12,900		721		16,850 –	16,900		945		20,850 –	20,900	1,169
	900 –	950		52		4,900 –	4,950		276		8,900 –	8,950		500		12,900 –	12,950		724		16,900 –	16,950		948		20,900 –	20,950	1,172
	950 –	1,000		55		4,950 –	5,000		279		8,950 –	9,000		503		12,950 –	13,000		727		16,950 –	17,000		951		20,950 –	21,000	1,175
	1,000 –	1,050		57		5,000 –	5,050		281		9,000 –	9,050		505		13,000 –	13,050		729		17,000 –	17,050		953		21,000 –	21,050	1,177
	1,050 –	1,100		60		5,050 –	5,100		284		9,050 –	9,100		508		13,050 –	13,100		732		17,050 –	17,100		956		21,050 –	21,100	1,180
	1,100 –	1,150		63		5,100 –	5,150		287		9,100 –	9,150		511		13,100 –	13,150		735		17,100 –	17,150		959		21,100 –	21,150	1,183
	1,150 –	1,200		66		5,150 –	5,200		290		9,150 –	9,200		514		13,150 –	13,200		738		17,150 –	17,200		962		21,150 –	21,200	1,186
	1,200 –	1,250		69		5,200 –	5,250		293		9,200 –	9,250		517		13,200 –	13,250		741		17,200 –	17,250		965		21,200 –	21,250	1,189
	1,250 –	1,300		71		5,250 –	5,300		295		9,250 –	9,300		519		13,250 –	13,300		743		17,250 –	17,300		967		21,250 –	21,300	1,191
	1,300 –	1,350		74		5,300 –	5,350		298		9,300 –	9,350		522		13,300 –	13,350		746		17,300 –	17,350		970		21,300 –	21,350	1,194
	1,350 –	1,400		77		5,350 –	5,400		301		9,350 –	9,400		525		13,350 –	13,400		749		17,350 –	17,400		973		21,350 –	21,400	1,197
	1,400 –	1,450		80		5,400 –	5,450		304		9,400 –	9,450		528		13,400 –	13,450		752		17,400 –	17,450		976		21,400 –	21,450	1,200
	1,450 –	1,500		83		5,450 –	5,500		307		9,450 –	9,500		531		13,450 –	13,500		755		17,450 –	17,500		979		21,450 –	21,500	1,203
	1,500 –	1,550		85		5,500 –	5,550		309		9,500 –	9,550		533		13,500 –	13,550		757		17,500 –	17,550		981		21,500 –	21,550	1,205
	1,550 –	1,600		88		5,550 –	5,600		312		9,550 –	9,600		536		13,550 –	13,600		760		17,550 –	17,600		984		21,550 –	21,600	1,208
	1,600 –	1,650		91		5,600 –	5,650		315		9,600 –	9,650		539		13,600 –	13,650		763		17,600 –	17,650		987		21,600 –	21,650	1,211
	1,650 –	1,700		94		5,650 –	5,700		318		9,650 –	9,700		542		13,650 –	13,700		766		17,650 –	17,700		990		21,650 –	21,700	1,214
	1,700 –	1,750		97		5,700 –	5,750		321		9,700 –	9,750		545		13,700 –	13,750		769		17,700 –	17,750		993		21,700 –	21,750	1,217
	1,750 –	1,800		99		5,750 –	5,800		323		9,750 –	9,800		547		13,750 –	13,800		771		17,750 –	17,800		995		21,750 –	21,800	1,219
	1,800 –	1,850		102		5,800 –	5,850		326		9,800 –	9,850		550		13,800 –	13,850		774		17,800 –	17,850		998		21,800 –	21,850	1,222
	1,850 –	1,900		105		5,850 –	5,900		329		9,850 –	9,900		553		13,850 –	13,900		777		17,850 –	17,900		1,001		21,850 –	21,900	1,225
	1,900 –	1,950		108		5,900 –	5,950		332		9,900 –	9,950		556		13,900 –	13,950		780		17,900 –	17,950		1,004		21,900 –	21,950	1,228
	1,950 –	2,000		111		5,950 –	6,000		335		9,950 –	10,000		559		13,950 –	14,000		783		17,950 –	18,000		1,007		21,950 –	22,000	1,231
	2,000 –	2,050		113		6,000 –	6,050		337		10,000 –	10,050		561		14,000 –	14,050		785		18,000 –	18,050		1,009		22,000 –	22,050	1,233
	2,050 –	2,100		116		6,050 –	6,100		340		10,050 –	10,100		564		14,050 –	14,100		788		18,050 –	18,100		1,012		22,050 –	22,100	1,236
	2,100 –	2,150		119		6,100 –	6,150		343		10,100 –	10,150		567		14,100 –	14,150		791		18,100 –	18,150		1,015		22,100 –	22,150	1,239
	2,150 –	2,200		122		6,150 –	6,200		346		10,150 –	10,200		570		14,150 –	14,200		794		18,150 –	18,200		1,018		22,150 –	22,	

2001 Massachusetts Income Tax Table at the 5.6% Rate

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INCOME			INCOME			INCOME			INCOME			INCOME			INCOME		
More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX
\$24,000 – \$24,050		\$1,345	\$28,750 – \$28,800		\$1,611	\$33,500 – \$33,550		\$1,877	\$38,250 – \$38,300		\$2,143	\$43,000 – \$43,050		\$2,409	\$47,750 – \$47,800		\$2,675
24,050 – 24,100		1,348	28,800 – 28,850		1,614	33,550 – 33,600		1,880	38,300 – 38,350		2,146	43,050 – 43,100		2,412	47,800 – 47,850		2,678
24,100 – 24,150		1,351	28,850 – 28,900		1,617	33,600 – 33,650		1,883	38,350 – 38,400		2,149	43,100 – 43,150		2,415	47,850 – 47,900		2,681
24,150 – 24,200		1,354	28,900 – 28,950		1,620	33,650 – 33,700		1,886	38,400 – 38,450		2,152	43,150 – 43,200		2,418	47,900 – 47,950		2,684
24,200 – 24,250		1,357	28,950 – 29,000		1,623	33,700 – 33,750		1,889	38,450 – 38,500		2,155	43,200 – 43,250		2,421	47,950 – 48,000		2,687
24,250 – 24,300		1,359	29,000 – 29,050		1,625	33,750 – 33,800		1,891	38,500 – 38,550		2,157	43,250 – 43,300		2,423	48,000 – 48,050		2,689
24,300 – 24,350		1,362	29,050 – 29,100		1,628	33,800 – 33,850		1,894	38,550 – 38,600		2,160	43,300 – 43,350		2,426	48,050 – 48,100		2,692
24,350 – 24,400		1,365	29,100 – 29,150		1,631	33,850 – 33,900		1,897	38,600 – 38,650		2,163	43,350 – 43,400		2,429	48,100 – 48,150		2,695
24,400 – 24,450		1,368	29,150 – 29,200		1,634	33,900 – 33,950		1,900	38,650 – 38,700		2,166	43,400 – 43,450		2,432	48,150 – 48,200		2,698
24,450 – 24,500		1,371	29,200 – 29,250		1,637	33,950 – 34,000		1,903	38,700 – 38,750		2,169	43,450 – 43,500		2,435	48,200 – 48,250		2,701
24,500 – 24,550		1,373	29,250 – 29,300		1,639	34,000 – 34,050		1,905	38,750 – 38,800		2,171	43,500 – 43,550		2,437	48,250 – 48,300		2,703
24,550 – 24,600		1,376	29,300 – 29,350		1,642	34,050 – 34,100		1,908	38,800 – 38,850		2,174	43,550 – 43,600		2,440	48,300 – 48,350		2,706
24,600 – 24,650		1,379	29,350 – 29,400		1,645	34,100 – 34,150		1,911	38,850 – 38,900		2,177	43,600 – 43,650		2,443	48,350 – 48,400		2,709
24,650 – 24,700		1,382	29,400 – 29,450		1,648	34,150 – 34,200		1,914	38,900 – 38,950		2,180	43,650 – 43,700		2,446	48,400 – 48,450		2,712
24,700 – 24,750		1,385	29,450 – 29,500		1,651	34,200 – 34,250		1,917	38,950 – 39,000		2,183	43,700 – 43,750		2,449	48,450 – 48,500		2,715
24,750 – 24,800		1,387	29,500 – 29,550		1,653	34,250 – 34,300		1,919	39,000 – 39,050		2,185	43,750 – 43,800		2,451	48,500 – 48,550		2,717
24,800 – 24,850		1,390	29,550 – 29,600		1,656	34,300 – 34,350		1,922	39,050 – 39,100		2,188	43,800 – 43,850		2,454	48,550 – 48,600		2,720
24,850 – 24,900		1,393	29,600 – 29,650		1,659	34,350 – 34,400		1,925	39,100 – 39,150		2,191	43,850 – 43,900		2,457	48,600 – 48,650		2,723
24,900 – 24,950		1,396	29,650 – 29,700		1,662	34,400 – 34,450		1,928	39,150 – 39,200		2,194	43,900 – 43,950		2,460	48,650 – 48,700		2,726
24,950 – 25,000		1,399	29,700 – 29,750		1,665	34,450 – 34,500		1,931	39,200 – 39,250		2,197	43,950 – 44,000		2,463	48,700 – 48,750		2,729
25,000 – 25,050		1,401	29,750 – 29,800		1,667	34,500 – 34,550		1,933	39,250 – 39,300		2,199	44,000 – 44,050		2,465	48,750 – 48,800		2,731
25,050 – 25,100		1,404	29,800 – 29,850		1,670	34,550 – 34,600		1,936	39,300 – 39,350		2,202	44,050 – 44,100		2,468	48,800 – 48,850		2,734
25,100 – 25,150		1,407	29,850 – 29,900		1,673	34,600 – 34,650		1,939	39,350 – 39,400		2,205	44,100 – 44,150		2,471	48,850 – 48,900		2,737
25,150 – 25,200		1,410	29,900 – 29,950		1,676	34,650 – 34,700		1,942	39,400 – 39,450		2,208	44,150 – 44,200		2,474	48,900 – 48,950		2,740
25,200 – 25,250		1,413	29,950 – 30,000		1,679	34,700 – 34,750		1,945	39,450 – 39,500		2,211	44,200 – 44,250		2,477	48,950 – 49,000		2,743
25,250 – 25,300		1,415	30,000 – 30,050		1,681	34,750 – 34,800		1,947	39,500 – 39,550		2,213	44,250 – 44,300		2,479	49,000 – 49,050		2,745
25,300 – 25,350		1,418	30,050 – 30,100		1,684	34,800 – 34,850		1,950	39,550 – 39,600		2,216	44,300 – 44,350		2,482	49,050 – 49,100		2,748
25,350 – 25,400		1,421	30,100 – 30,150		1,687	34,850 – 34,900		1,953	39,600 – 39,650		2,219	44,350 – 44,400		2,485	49,100 – 49,150		2,751
25,400 – 25,450		1,424	30,150 – 30,200		1,690	34,900 – 34,950		1,956	39,650 – 39,700		2,222	44,400 – 44,450		2,488	49,150 – 49,200		2,754
25,450 – 25,500		1,427	30,200 – 30,250		1,693	34,950 – 35,000		1,959	39,700 – 39,750		2,225	44,450 – 44,500		2,491	49,200 – 49,250		2,757
25,500 – 25,550		1,429	30,250 – 30,300		1,695	35,000 – 35,050		1,961	39,750 – 39,800		2,227	44,500 – 44,550		2,493	49,250 – 49,300		2,759
25,550 – 25,600		1,432	30,300 – 30,350		1,698	35,050 – 35,100		1,964	39,800 – 39,850		2,230	44,550 – 44,600		2,496	49,300 – 49,350		2,762
25,600 – 25,650		1,435	30,350 – 30,400		1,701	35,100 – 35,150		1,967	39,850 – 39,900		2,233	44,600 – 44,650		2,499	49,350 – 49,400		2,765
25,650 – 25,700		1,438	30,400 – 30,450		1,704	35,150 – 35,200		1,970	39,900 – 39,950		2,236	44,650 – 44,700		2,502	49,400 – 49,450		2,768
25,700 – 25,750		1,441	30,450 – 30,500		1,707	35,200 – 35,250		1,973	39,950 – 40,000		2,239	44,700 – 44,750		2,505	49,450 – 49,500		2,771
25,750 – 25,800		1,443	30,500 – 30,550		1,709	35,250 – 35,300		1,975	40,000 – 40,050		2,241	44,750 – 44,800		2,507	49,500 – 49,550		2,773
25,800 – 25,850		1,446	30,550 – 30,600		1,712	35,300 – 35,350		1,978	40,050 – 40,100		2,244	44,800 – 44,850		2,510	49,550 – 49,600		2,776
25,850 – 25,900		1,449	30,600 – 30,650		1,715	35,350 – 35,400		1,981	40,100 – 40,150		2,247	44,850 – 44,900		2,513	49,600 – 49,650		2,779
25,900 – 25,950		1,452	30,650 – 30,700		1,718	35,400 – 35,450		1,984	40,150 – 40,200		2,250	44,900 – 44,950		2,516	49,650 – 49,700		2,782
25,950 – 26,000		1,455	30,700 – 30,750		1,721	35,450 – 35,500		1,987	40,200 – 40,250		2,253	44,950 – 45,000		2,519	49,700 – 49,750		2,785
26,000 – 26,050		1,457	30,750 – 30,800		1,723	35,500 – 35,550		1,989	40,250 – 40,300		2,255	45,000 – 45,050		2,521	49,750 – 49,800		2,787
26,050 – 26,100		1,460	30,800 – 30,850		1,726	35,550 – 35,600		1,992	40,300 – 40,350		2,258	45,050 – 45,100		2,524	49,800 – 49,850		2,790
26,100 – 26,150		1,463	30,850 – 30,900		1,729	35,600 – 35,650		1,995	40,350 – 40,400		2,261	45,100 – 45,150		2,527	49,850 – 49,900		2,793
26,150 – 26,200		1,466	30,900 – 30,950		1,732	35,650 – 35,700		1,998	40,400 – 40,450		2,264	45,150 – 45,200		2,530	49,900 – 49,950		2,796
26,200 – 26,250		1,469	30,950 – 31,000		1,735	35,700 – 35,750		2,001	40,450 – 40,500		2,267	45,200 – 45,250		2,533	49,950 – 50,000		2,799
26,250 – 26,300		1,471	31,000 – 31,050		1,737	35,750 – 35,800		2,003	40,500 – 40,550		2,269	45,250 – 45,300		2,535	50,000 – 50,050		2,801
26,300 – 26,350		1,474	31,050 – 31,100		1,740	35,800 – 35,850		2,006	40,550 – 40,600		2,272	45,300 – 45,350		2,538	50,050 – 50,100		2,804
26,350 – 26,400		1,477	31,100 – 31,150		1,743	35,850 – 35,900		2,009	40,600 – 40,650		2,275	45,350 – 45,400		2,541	50,100 – 50,150		2,807
26,400 – 26,450		1,480	31,150 – 31,200		1,746	35,900 – 35,950		2,012	40,650 – 40,700		2,278	45,400 – 45,450		2,544	50,150 – 50,200		2,810
26,450 – 26,500		1,483	31,200 – 31,250		1,749	35,950 – 36,000		2,015	40,700 – 40,750		2,281	45,450 – 45,500		2,547	50,200 – 50,250		2,813
26,500 – 26,550		1,485	31,250 – 31,300		1,751	36,000 – 36,050		2,017	40,750 – 40,800		2,283	45,500 – 45,550		2,549	50,250 – 50,300		2,815
26,550 – 26,600		1,488	31,300 – 31,350		1,754	36,050 – 36,100		2,020	40,800 – 40,850		2,286	45,550 – 45,600		2,552	50,300 – 50,350		2,818
26,600 – 26,650		1,491	31,350 – 31,400		1,757	36,100 – 36,150		2,023	40,850 – 40,900		2,289	45,600 – 45,650		2,555	50,350 – 50,400		2,821
26,650 – 26,700		1,494	31,400 – 31,450		1,760	36,150 – 36,200		2,026	40,900 – 40,950		2,292	45,650 – 45,700		2,558	50,400 – 50,450		2,824
26,700 – 26,750		1,497	31,450 – 31,500		1,763	36,200 – 36,250		2,029	40,950 – 41,000		2,295	45,700 – 45,750		2,561	50,450 – 50,500		2,827
26,750 – 26,800		1,499	31,500 – 31,550		1,765	36,250 – 36,300		2,031	41,000 – 41,050		2,297	45,750 – 45,800		2,563	50,500 – 50,550		2,829
26,800 – 26,850		1,502	31,550 – 31,600		1,768	36,300 – 36,350		2,034	41,050 – 41,100		2,300	45,800 – 45,850		2,566	50,550 – 50,600		2,832
26,850 – 26,900		1,505	31,600 – 31,650		1,771	36,350 – 36,400		2,037	41,100 – 41,150		2,303	45,850 – 45,900		2,569	50,600 – 50,650		2,835
26,900 – 26,950		1,508	31,650 – 31,700		1,774	36,400 – 36,450		2,040	41,150 – 41,200		2,306	45,900 – 45,9					

2001 Massachusetts Income Tax Table at the 5.6% Rate

INCOME			INCOME			INCOME			INCOME			INCOME			INCOME		
More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX	More than	But not more than	TAX
\$52,500	\$52,550	\$2,941	\$57,250	\$57,300	\$3,207	\$62,000	\$62,050	\$3,473	\$66,750	\$66,800	\$3,739	\$71,500	\$71,550	\$4,005	\$76,250	\$76,300	\$4,271
52,550	52,600	2,944	57,300	57,350	3,210	62,050	62,100	3,476	66,800	66,850	3,742	71,550	71,600	4,008	76,300	76,350	4,274
52,600	52,650	2,947	57,350	57,400	3,213	62,100	62,150	3,479	66,850	66,900	3,745	71,600	71,650	4,011	76,350	76,400	4,277
52,650	52,700	2,950	57,400	57,450	3,216	62,150	62,200	3,482	66,900	66,950	3,748	71,650	71,700	4,014	76,400	76,450	4,280
52,700	52,750	2,953	57,450	57,500	3,219	62,200	62,250	3,485	66,950	67,000	3,751	71,700	71,750	4,017	76,450	76,500	4,283
52,750	52,800	2,955	57,500	57,550	3,221	62,250	62,300	3,487	67,000	67,050	3,753	71,750	71,800	4,019	76,500	76,550	4,285
52,800	52,850	2,958	57,550	57,600	3,224	62,300	62,350	3,490	67,050	67,100	3,756	71,800	71,850	4,022	76,550	76,600	4,288
52,850	52,900	2,961	57,600	57,650	3,227	62,350	62,400	3,493	67,100	67,150	3,759	71,850	71,900	4,025	76,600	76,650	4,291
52,900	52,950	2,964	57,650	57,700	3,230	62,400	62,450	3,496	67,150	67,200	3,762	71,900	71,950	4,028	76,650	76,700	4,294
52,950	53,000	2,967	57,700	57,750	3,233	62,450	62,500	3,499	67,200	67,250	3,765	71,950	72,000	4,031	76,700	76,750	4,297
53,000	53,050	2,969	57,750	57,800	3,235	62,500	62,550	3,501	67,250	67,300	3,767	72,000	72,050	4,033	76,750	76,800	4,299
53,050	53,100	2,972	57,800	57,850	3,238	62,550	62,600	3,504	67,300	67,350	3,770	72,050	72,100	4,036	76,800	76,850	4,302
53,100	53,150	2,975	57,850	57,900	3,241	62,600	62,650	3,507	67,350	67,400	3,773	72,100	72,150	4,039	76,850	76,900	4,305
53,150	53,200	2,978	57,900	57,950	3,244	62,650	62,700	3,510	67,400	67,450	3,776	72,150	72,200	4,042	76,900	76,950	4,308
53,200	53,250	2,981	57,950	58,000	3,247	62,700	62,750	3,513	67,450	67,500	3,779	72,200	72,250	4,045	76,950	77,000	4,311
53,250	53,300	2,983	58,000	58,050	3,249	62,750	62,800	3,515	67,500	67,550	3,781	72,250	72,300	4,047	77,000	77,050	4,313
53,300	53,350	2,986	58,050	58,100	3,252	62,800	62,850	3,518	67,550	67,600	3,784	72,300	72,350	4,050	77,050	77,100	4,316
53,350	53,400	2,989	58,100	58,150	3,255	62,850	62,900	3,521	67,600	67,650	3,787	72,350	72,400	4,053	77,100	77,150	4,319
53,400	53,450	2,992	58,150	58,200	3,258	62,900	62,950	3,524	67,650	67,700	3,790	72,400	72,450	4,056	77,150	77,200	4,322
53,450	53,500	2,995	58,200	58,250	3,261	62,950	63,000	3,527	67,700	67,750	3,793	72,450	72,500	4,059	77,200	77,250	4,325
53,500	53,550	2,997	58,250	58,300	3,263	63,000	63,050	3,529	67,750	67,800	3,795	72,500	72,550	4,061	77,250	77,300	4,327
53,550	53,600	3,000	58,300	58,350	3,266	63,050	63,100	3,532	67,800	67,850	3,798	72,550	72,600	4,064	77,300	77,350	4,330
53,600	53,650	3,003	58,350	58,400	3,269	63,100	63,150	3,535	67,850	67,900	3,801	72,600	72,650	4,067	77,350	77,400	4,333
53,650	53,700	3,006	58,400	58,450	3,272	63,150	63,200	3,538	67,900	67,950	3,804	72,650	72,700	4,070	77,400	77,450	4,336
53,700	53,750	3,009	58,450	58,500	3,275	63,200	63,250	3,541	67,950	68,000	3,807	72,700	72,750	4,073	77,450	77,500	4,339
53,750	53,800	3,011	58,500	58,550	3,277	63,250	63,300	3,543	68,000	68,050	3,809	72,750	72,800	4,075	77,500	77,550	4,341
53,800	53,850	3,014	58,550	58,600	3,280	63,300	63,350	3,546	68,050	68,100	3,812	72,800	72,850	4,078	77,550	77,600	4,344
53,850	53,900	3,017	58,600	58,650	3,283	63,350	63,400	3,549	68,100	68,150	3,815	72,850	72,900	4,081	77,600	77,650	4,347
53,900	53,950	3,020	58,650	58,700	3,286	63,400	63,450	3,552	68,150	68,200	3,818	72,900	72,950	4,084	77,650	77,700	4,350
53,950	54,000	3,023	58,700	58,750	3,289	63,450	63,500	3,555	68,200	68,250	3,821	72,950	73,000	4,087	77,700	77,750	4,353
54,000	54,050	3,025	58,750	58,800	3,291	63,500	63,550	3,557	68,250	68,300	3,823	73,000	73,050	4,089	77,750	77,800	4,355
54,050	54,100	3,028	58,800	58,850	3,294	63,550	63,600	3,560	68,300	68,350	3,826	73,050	73,100	4,092	77,800	77,850	4,358
54,100	54,150	3,031	58,850	58,900	3,297	63,600	63,650	3,563	68,350	68,400	3,829	73,100	73,150	4,095	77,850	77,900	4,361
54,150	54,200	3,034	58,900	58,950	3,300	63,650	63,700	3,566	68,400	68,450	3,832	73,150	73,200	4,098	77,900	77,950	4,364
54,200	54,250	3,037	58,950	59,000	3,303	63,700	63,750	3,569	68,450	68,500	3,835	73,200	73,250	4,101	77,950	78,000	4,367
54,250	54,300	3,039	59,000	59,050	3,305	63,750	63,800	3,571	68,500	68,550	3,837	73,250	73,300	4,103	78,000	78,050	4,369
54,300	54,350	3,042	59,050	59,100	3,308	63,800	63,850	3,574	68,550	68,600	3,840	73,300	73,350	4,106	78,050	78,100	4,372
54,350	54,400	3,045	59,100	59,150	3,311	63,850	63,900	3,577	68,600	68,650	3,843	73,350	73,400	4,109	78,100	78,150	4,375
54,400	54,450	3,048	59,150	59,200	3,314	63,900	63,950	3,580	68,650	68,700	3,846	73,400	73,450	4,112	78,150	78,200	4,378
54,450	54,500	3,051	59,200	59,250	3,317	63,950	64,000	3,583	68,700	68,750	3,849	73,450	73,500	4,115	78,200	78,250	4,381
54,500	54,550	3,053	59,250	59,300	3,319	64,000	64,050	3,585	68,750	68,800	3,851	73,500	73,550	4,117	78,250	78,300	4,383
54,550	54,600	3,056	59,300	59,350	3,322	64,050	64,100	3,588	68,800	68,850	3,854	73,550	73,600	4,120	78,300	78,350	4,386
54,600	54,650	3,059	59,350	59,400	3,325	64,100	64,150	3,591	68,850	68,900	3,857	73,600	73,650	4,123	78,350	78,400	4,389
54,650	54,700	3,062	59,400	59,450	3,328	64,150	64,200	3,594	68,900	68,950	3,860	73,650	73,700	4,126	78,400	78,450	4,392
54,700	54,750	3,065	59,450	59,500	3,331	64,200	64,250	3,597	68,950	69,000	3,863	73,700	73,750	4,129	78,450	78,500	4,395
54,750	54,800	3,067	59,500	59,550	3,333	64,250	64,300	3,599	69,000	69,050	3,865	73,750	73,800	4,131	78,500	78,550	4,397
54,800	54,850	3,070	59,550	59,600	3,336	64,300	64,350	3,602	69,050	69,100	3,868	73,800	73,850	4,134	78,550	78,600	4,400
54,850	54,900	3,073	59,600	59,650	3,339	64,350	64,400	3,605	69,100	69,150	3,871	73,850	73,900	4,137	78,600	78,650	4,403
54,900	54,950	3,076	59,650	59,700	3,342	64,400	64,450	3,608	69,150	69,200	3,874	73,900	73,950	4,140	78,650	78,700	4,406
54,950	55,000	3,079	59,700	59,750	3,345	64,450	64,500	3,611	69,200	69,250	3,877	73,950	74,000	4,143	78,700	78,750	4,409
55,000	55,050	3,081	59,750	59,800	3,347	64,500	64,550	3,613	69,250	69,300	3,879	74,000	74,050	4,145	78,750	78,800	4,411
55,050	55,100	3,084	59,800	59,850	3,350	64,550	64,600	3,616	69,300	69,350	3,882	74,050	74,100	4,148	78,800	78,850	4,414
55,100	55,150	3,087	59,850	59,900	3,353	64,600	64,650	3,619	69,350	69,400	3,885	74,100	74,150	4,151	78,850	78,900	4,417
55,150	55,200	3,090	59,900	59,950	3,356	64,650	64,700	3,622	69,400	69,450	3,888	74,150	74,200	4,154	78,900	78,950	4,420
55,200	55,250	3,093	59,950	60,000	3,359	64,700	64,750	3,625	69,450	69,500	3,891	74,200	74,250	4,157	78,950	79,000	4,423
55,250	55,300	3,095	60,000	60,050	3,361	64,750	64,800	3,627	69,500	69,550	3,893	74,250	74,300	4,159	79,000	79,050	4,425
55,300	55,350	3,098	60,050	60,100	3,364	64,800	64,850	3,630	69,550	69,600	3,896	74,300	74,350	4,162	79,050	79,100	4,428
55,350	55,400	3,101	60,100	60,150	3,367	64,850	64,900	3,633	69,600	69,650	3,899	74,350	74,400	4,165	79,100	79,150	4,431
55,400	55,450	3,104	60,150	60,200	3,370	64,900	64,950	3,636	69,650	69,700	3,902	74,400	74,450	4,168	79,150	79,200	4,434
55,450	55,500	3,107	60,200	60,250	3,373	64,950	65,000	3,639	69,700	69,750	3,905	74,450	74,500	4,171	79,200	79,250	4,437
55,500	55,550	3,109	60,250	60,300	3,375	65,000	65,050	3,641	69,750								

Department of Revenue Resources

DOR Locations in Massachusetts

19 Staniford Street

Boston 02114

(617) 887-MDOR

218 South Main Street

Fall River 02721

(508) 678-2844

1019 Iyanough Road

Hyannis 02601

(508) 771-2414

333 East Street

Pittsfield 01201

(413) 499-2206

436 Dwight Street

Springfield 01103

(413) 784-1000

40 Southbridge Street

Worcester 01608

(508) 792-7300

DOR Locations throughout the Country

1355 Peachtree Street NE

Suite 1280

Atlanta, GA 30309

(404) 874-2922

101 South First Street, 4th floor

Burbank, CA 91502

(818) 840-9059

150 North Michigan Avenue

Suite 2035

Chicago, IL 60601

(312) 899-9040

2603 Augusta Drive, Suite 1075

Houston, TX 77057

(713) 784-7225

1440 Broadway, Suite 2272

New York, NY 10018

(212) 768-2750

355 Fifth Avenue, Suite 1400

Pittsburgh, PA 15222

(412) 281-2776

What kind of help is available

The instructions in the Department of Revenue's tax forms should provide answers to most taxpayer questions. If you have questions about completing your Massachusetts tax form, you can call or visit any of the Department of Revenue offices listed on this page Monday through Friday, between 8:45 a.m. and 5:00 p.m. Representatives at Massachusetts office locations can assist you, if you are eligible, in WebFiling your tax return.

DOR's website at www.mass.gov/dor is also a valuable resource for tax information 24 hours a day. Thousands of taxpayers use DOR's website to e-mail and receive prompt answers to their general tax inquiries. Interactive applications that allow taxpayers to check the status of their refunds and review their quarterly estimated tax payment histories are available through our website or by calling our main information lines at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089. TaxTalk, DOR's automated system of recorded tax help, is available during non-business hours by calling our main information lines. TaxTalk topics are also available online.

In addition, DOR issues a number of useful publications on various state tax issues. These publications include: tax-specific guides written in question and answer format such as the *Guide to Filing Your 2001 Massachusetts Income Taxes*; a quarterly newsletter, the *Taxpayer Advisory Bulletin*, with updates on legislative, legal and Departmental decisions; and public written statements, such as Regulations, Technical Information Releases (TIRs), Directives and Letter Rulings.

Where to get forms and publications



During the income tax filing season, you can pick up Massachusetts personal income tax forms in many convenient locations, including post offices, libraries, and major city or town halls; any DOR office listed on this page; or IRS district offices across the state.



To obtain Massachusetts forms and publications by phone, call the Department's main information lines at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089. Please note that many forms and publications are available 24 hours a day by calling the Department's automated forms request system at the numbers listed above.



Many Massachusetts tax forms and publications are also available via the DOR website. The address for the Department's website is www.mass.gov/dor.



Certain forms and publications can be obtained through DOR's Fax on Demand system. For a complete Fax on Demand menu, please call (617) 887-1900 using the handset and the keypad on your fax machine.

For general tax information

Please call (617) 887-MDOR or toll-free in Massachusetts 1-800-392-6089 for assistance.

Extended telephone service hours

If you have personal income tax questions or need assistance completing your return, extended telephone service is available at (617) 887-MDOR or toll-free in Massachusetts at 1-800-392-6089. From January 14 through April 16, 2002, these extended hours will be: Monday through Thursday, 5–7 p.m.; Saturday, 9 a.m.–1 p.m.; and Sunday, 10 a.m.–2 p.m.

For help in one of the following specific areas

- ▶ Certificates of Good Standing (617) 887-6550
- ▶ Installment sales (617) 887-6950
- ▶ Teletype (TTY) (617) 887-6140
- ▶ Small Business Workshop (617) 887-6400
- ▶ Vision-impaired taxpayers can contact any DOR office listed on this page to receive assistance.
- ▶ Upon request, this publication is available in an alternative format. Please send your request to: Office of Affirmative Action, PO Box 9488, Boston, MA 02205-9488 or call (617) 626-3410.

To report allegations of suspected misconduct or impropriety involving Department of Revenue employees, call the Inspectional Services Division's Integrity Hot Line at 1-800-568-0085 or write to PO Box 9480, Boston, MA 02205-9480.

Massachusetts

Department of

Revenue

PO Box 7011

Boston, MA 02204

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Dear Taxpayer,

State tax law changes effective for the 2001 tax year provide important new tax benefits for Massachusetts taxpayers. A new Senior Circuit Breaker Tax Credit provides property tax relief for moderate- and low-income senior citizens. In addition, taxpayers may now claim a state Charitable Contributions Deduction even if they do not itemize for federal income tax purposes. Finally, the personal income tax rate has been lowered and several existing credits and deductions have been expanded. For further information about these changes, please refer to the section entitled "Major 2001 Tax Changes" on page 5 in this booklet.

If you have not already made the switch from paper to electronic filing (E-Filing), I urge you to do so this year. More than 926,000 state personal income tax returns were E-Filed with the Massachusetts Department of Revenue (DOR) last year.

The Department of Revenue offers four ways to E-File your tax return, including by touch-tone telephone using Telefile; by preparing and filing your return, at no cost, via DOR's website, www.mass.gov/dor; by using the services provided by a DOR-approved tax professional; and by using a DOR-approved commercial tax preparation website or software product. Each method is easy to use and convenient, provides instant confirmation that your tax return was received by DOR, and allows you to deposit your refund check directly into your bank account. And, you will receive your refund, on average, within four business days!

For more information about DOR's E-File programs, please visit our website, www.mass.gov/dor, or call our Customer Service Bureau at (617) 887-MDOR or toll-free in Massachusetts at (800) 392-6089.

Sincerely,



Bernard F. Crowley, Jr.
Acting Commissioner